# FINANCIAL TIMES

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FT WEEKEND

*FAKE: Chapter One of a summer mystery*

TOMORROW

World Business Newspaper http://www.FT.com FRIDAY JUNE 20 1997

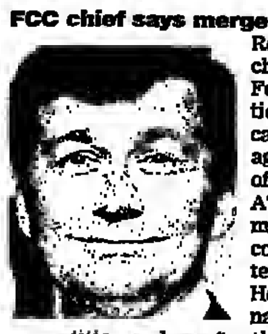
## Adam Opel raises investment and backs expansion

Adam Opel chairman David Herman hit back at critics of the role the company was playing in the global strategy of General Motors, its US parent. He defended Opel's foreign expansion, saying the globalisation of the Opel marque was now vital as western European markets become saturated. He also said Opel would bring out 26 new models and model variations by the end of 2001 and was raising investments this year hy 50 per cent. Opel reported a 19 per cent rise in pre-tax profits last year to DM477m ($276m). Page 15

**EU plans tough pollution targets:** European Union environment ministers were last night close to setting tough targets for reducing air pollution that could require more than Ecu60bn ($67.8bn) of investment by industry. Page 14

**Block on state aid halted:** A European Commission decision to block Ecu18m ($20.34m) of state aid to Franco-ftalian semi-conductor manufacturer SGS-Thomson was postponed after lobbying from the French and Italian governments and research commissioner Edith Cresson. Page 2

**FCC chief says merger 'unthinkable'**



Reed Hundt (left), chairman of the US Federal Communications Commission, came out strongly against the possibility of a merger between AT&T and SBC Communications, one of the country's big regional telephone companies. He said such a combination would hamper competition and was "unthinkable". Page 16; US phone companies retreat, Page 15

**Labelling plan condemned:** US agriculture secretary Dan Glickman said a European Union proposal to label genetically modified agricultural products was "unacceptable" and would restrict trade. Page 4

**US trade gap widens:** The US goods and services trade deficit widened by 7.8 per cent in April to $8.4bn but exports, powered by sales of telecoms equipment, rose to record levels, the Commerce Department said. Page 7

**Jospin backs Emu:** France's new Socialist prime minister, Lionel Jospin, admitted the country's public finances were in a "serious" state but said he was committed to reaching European economic and monetary union on time. Page 14

**Ex-Nomura chief indicted:** Former Nomura securities president Hideo Sakamaki was indicted by Tokyo prosecutors for his role in the company's recent financial scandal over payments to corporate extortionists. Page 6

**Netanyahu faces split:** Israeli prime minister Benjamin Netanyahn is seeking to rally his ministers before a no-confidence vote in which two of his coalition partners are threatening to withdraw support. Page 5

**Unisys chief quits:** James Unruh, chairman and chief executive of Unisys, is to resign after seven years at the helm of the often troubled US computer group. His decision comes after six successive quarters of improved financial performance at the company. Page 15

**Saudi prince seeks African stake:** A Saudi Arabian prince is understood to be negotiating to acquire a 30 per cent stake in Ghana's state-owned National Investment Bank and could channel up to $1bn into African projects. Page 15

**Ivory trade ban eased:** A seven-year ban on the global ivory trade was lifted, allowing three southern African states to sell ivory to Japan from their "excess" elephant herds subject to some conditions. Page 14

**Kenyan MPs come to blows:** Kenyan MPs traded punches in parliament and riot police clashed with students in the capital Nairobi as the opposition staged protests to press for constitutional reforms. Page 5

**Cricket washed out:** Rain prevented play on the first day of the second cricket Test between England and Australia at Lord's in London. England won the first of the six-match series.

**FT.com:** the FT web site provides online news, comment and analysis at http://www.FT.com

**STOCK MARKET INDICES**

| | | |
|---|---|---|
| New York: lunchtime | | |
| Dow Jones Ind Av | 7,753.54 | (+34.83) |
| NASDAQ Composite | 1,440.88 | (+8.45) |
| Europe and Far East | | |
| CAC40 | 2,739.69 | (-12.05) |
| DAX | 3,749.27 | (+19.00) |
| FTSE 100 | 4,653.7 | (-3.3) |
| Nikkei | 20,507.85 | (+10.00) |

**US LUNCHTIME RATES**

| | |
|---|---|
| Federal Funds | 5 7/16% |
| 3-mth Treas Bills: Yld | 5.06% |
| Long Bond | 99 1/16 |
| Yield | 6.70% |

**OTHER RATES**

| | | |
|---|---|---|
| UK: 3-mo Interbank | 6 11/16% | (6 21/32%) |
| UK: 10 yr Gilt | 100 1/2 | (100 13/32) |
| France: 10 yr OAT | 98.77 | (99.21) |
| Germany: 10 yr Bund | 101.59 | (102.03) |
| Japan: 10 yr JGB | 104.2393 | (104.312) |

**NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent Dated | $17.33 | (17.17) |

**GOLD**

| | | |
|---|---|---|
| New York: Comex (June) | $340.5 | (339.1) |
| London: close | $339.45 | (340.85) |

**DOLLAR**

| | | |
|---|---|---|
| New York: lunchtime | | |
| £ | 1.6489 | |
| DM | 1.72525 | |
| FFr | 5.8218 | |
| SFr | 1.43755 | |
| Y | 114.18 | |
| London: | | |
| £ | 1.6465 | (1.6397) |
| DM | 1.7247 | (1.7270) |
| FFr | 5.8195 | (5.8258) |
| SFr | 1.4375 | (1.4443) |
| Y | 113.880 | (113.190) |
| Tokyo close: | Y 113.45 | |

**STERLING**

| | | |
|---|---|---|
| DM | 2.8398 | (2.8318) |

9 770174 736159 25



### Pledge comes despite admission over 'serious' state of public finances

# France will join Emu on time, says Jospin

By David Buchan in Paris

Mr Lionel Jospin, France's Socialist prime minister, admitted yesterday that the country's public finances were in a "serious" state, hnt claimed his government was still committed to reaching European economic and monetary union on time.

In his keynote speech to the National Assembly, Mr Jospin promised there would be "no pause, retreat, going back" on the promises that brought his leftwing coalition to power.

He announced a 4 per cent rise in the national minimum wage on July 1, and an immediate halt to civil service joh cuts, and confirmed his opposition to privatisation.

Mr Jospin said the new administration would not implement the previous centre-right government's plans to privatise France Telecom, the Thomson-CSF defence electronics company and the Aerospatiale aviation and defence group.

He indicated he would carry through other campaign pledges, such as reducing the standard working week from 39 bours to 35, but only over the five-year lifetime of the parliament. He said he would call a national conference on wages, jobs and working time in September.

Putting off big economic decisions until September, Mr Jospin said he would prepare any changes to the current budget and draft the 1998 Bndget on the basis of a special audit of the country's public finances which he would receive in mid-July. However, after a fortnight in power, he warned ominously that – according to "first indications" – the state of public finances appeared "serious".

Lionel Jospin, France's new Socialist prime minister, set to pursue his leftwing agenda Picture: AP

His words suggest France is running an overall hudget deficit this year well above 3 per cent of national output, a target that countries are supposed to hit to qualify for Emu. But, in an hour-long speech in which he never used the word deficit. Mr Jospin gave no indication of whether or how he would correct this.

Mr Jospin, given a standing ovation by his Socialist, Communist and Green majority, was sharply criticised by the centre-right opposition for inconsistency. "You are going to have to choose between your pledges to your voters and to our European part-

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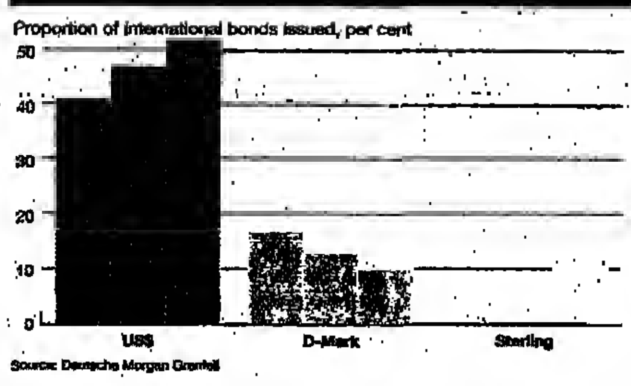
# Fears over soft euro boost dollar bonds

By Edward Luce

The volume of international bonds issued in US dollars hit a weekly record yesterday as worries over the European monetary union project persuaded investors to shun Europe's leading currencies.

With almost $14.5bn of new dollar-denominated bond offerings since Monday, the volume of dollar debt issued so far this week has already overtaken the previous weekly record of $14.2bn set earlier this month – itself a big margin over the earlier record of $11.8bn set last September.

Global bond investors prefer dollar issues




Source: Deutsche Morgan Grenfell

Among others to tap the dollar market yesterday, Russia launched a $2bn 10-year bond – the largest ever fixed rate eurobond to be offering by an emerging market borrower. Other countries borrowing in dollars included Cyprus, the Philippines and South Africa.

Bond economists say the shift to dollar issues is being driven by growing investor anxiety that Europe's single currency, the euro, will be a "soft" currency after its planned launch in Jannary 1999. A weak euro would reduce the returns on euro-denominated bonds once the proceeds were converted into dollars. It could also lead to volatile interest rates in Europe, making it difficult to for investors to rely on stable returns on their euro-denominated bond holdings.

By contrast, sentiment on the US economy is generally upbeat with few expecting the Federal Reserve to raise interest rates when it meets in July. "There is definitely a feeling thet the [interest rate] convergence process in Europe will run out of steam while the US economy is showing few signs of inflationary pressures," said Mr Mark Cliffe, an economist at Hong Kong and Shanghai Bank in London.

Analysts say the record volume of dollar issuances also reflects strong global liquidity and the absence of global inflationary pressures. "This is a borrowers' paradise," said one syndicate manager at Deutsche Morgan Grenfell. "Companies are tapping funds at very low interest rates, yet the demand has remained very strong."

With the interest rate on Japanese government long bonds at just 1.6 percentage points, many Japanese investors are pntting money into higher-yielding dollar-denominated assets.

In contrast, the yield on the long-dated US Treasury bond, which acts as the benchmark for all US dollar bond issues, is 6.80 percentage points. Similarly, low interest rates across most of Europe have boosted the pool of liquidity and encouraged European pension and insurance portfolio mangers to switch to the dollar in search of higher returns. This has created a virtuous circle of demand for US dollars and strong supply in the currency.

"The US dollar – and to a certain extent UK sterling – will continue to be the investor currency of choice while interest rates remain so low everywhere else," said one New York fund manager.

The proportion of international bonds denominated in US dollars has risen from 47 per cent in 1996 to 52 per cent so far this year, well above the 41 per cent registered in 1995.

Philip Stephens, Page 12; Bonds, Page 22; Currencies, Page 23

# Hague defeats Clarke to take UK Tory leadership

By John Kampfner and Robert Peston

Mr William Hague last night sensationally defeated former chancellor Mr Kenneth Clarke for the leadership of Britain's Conservative party, promising to end divisions and transform its structures after its general election defeat last month.

After a bitter three-round contest to succeed Mr John Major, Mr Clarke announced he was bowing out of frontline politics after seeing his vote collapse.

Many of the 164 Tory MPs who determined the outcome of the leadership battle accused the former chancellor of opportunism.

Mr Clarke, a staunch pro-European, had struck a deal on Wednesday with Mr John Redwood, one of the party's most prominent Eurosceptics, who had been eliminated in the penultimate round of the contest. The size of Mr Hague's victory – 92 votes to 70 – far exceeded the expectations of his team. At 36 he becomes the youngest leader of the Conservative party since William Pitt the younger in 1783.

In a party riven by division, Mr Hague has been described by his opponents as "vague" and "of no fixed ideology". His supporters admit he is largely an unknown quantity, but say he represents the mainstream on the centre right.

Within an hour of the result being announced Mr Major, the former prime minister, handed over to Mr Hague after more than six turbulent years at the helm.

Mr Hague told activists at Conservative headquarters: "Hard words have been said, but f am determined no grudges will be borne by anyone in our party. We all start from a clean slate. It is my responsibility to laad this party and it is also my responsibility to heal this party."

Calling for an end to factions, and to divisions over European policy that dogged Mr Major's rule, Mr Hague said he would ensure that the party spoke with "one voice".

"If f have to, I will put some noses out of joint," he added. "If I have to, f will make myself unpopular for a time."

His victory creates a new generation of British political leaders. At 44, Mr Tony Blair is the youngest prime minister for more than 150 years.

But with Labour enjoying a huge parliamentary majority of 179, many Tories believe the most Mr Hague can achieve is to run Mr Blair close at the next general election due by 2002.

Mr Hague was "discovered" by Mrs Margaret, now Lady, Thatcher in 1977, when at the age of 16 he gave a speech to the Conservative conference.

Tory poll, Page 8; Editorial Comment, Page 13

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# EU nears agreement to cut air pollution

By Sander Thoenes in Luxembourg

European Union environment ministers were last night close to setting tough new targets for reducing air pollntion.

They wonid Inclnde standards for vehicle fuel and emissions that could require more than Ecu60bn ($67.8bn) of new investment by industry.

The council of ministers was expected to agree limits on sulphur and benzene content in petrol and diesel, and on harmful vehicle emissions. These would go well beyond what the European Commission originally proposed last year. Mandatory limits would he set for 2000 nnd even stricter "indicative targets" for 2005, snbject to review in 1999.

Dntch officials estimated that upgrading refineries and introducing new technologies to reduce vehicle emissions would cost industry Ecu6bn a year over 10 years. The European Petrolenm Indnstry Association put the total bill just for cutting sulphur in fuel at Ecn30bn. The Industry lobby gronp also warned that refining such fuel would boost carbon dioxide emissions.

Bnt the European Automobile Manufacturing Association said it could not use new technology to restrict vehicle emissions unless refiners cut the sulphur content in fuel.

Mrs Margreeth de Boer, the Dntch minister who chaired the council, said the new French and UK governments had abandoned their predecessors' objections to the cnts, ensuring that the southern states would be outvoted.

But, last night, Italy, Spain, Portugal and Greece were still holding np agreement.

Mr Michael Meacher, UK environment minister, said he backed the most radical proposal for cutting sulphur emissions, even though meeting the targets would he expensive for UK refiners. "We're trying to be as green and ambitious on the issue of snlphnr as any European country," he added.

The ministers were also pre-

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## France's new Socialist premier proffers no fix to deteriorating finances

# Jospin complicates Emu conundrum

By David Buchan in Paris

"Sitnation serious, no immediate remedy" was the message that Mr Lionel Jospin, the prime minister, yesterday effectively delivered on the state of France's public finances in his keynote speech to the National Assembly.

Every incoming government naturally tends first to exaggerate the situation inherited from its predecessor and then, after a few weeks or months of being in charge, to minimise the country's plight, even to claim sharp improvement.

But the pressing urgency of European monetary union, planned in 18 months' time on the basis of countries' performance in the 1997 fiscal year, leaves little scope for sucb traditional political game-playing.

So when Mr Jospin said yesterday that "the first indications given to me lead me to believe that the situation of the public finances is serious," he has nothing like the usual time in which to turn these finances around.

France'e new Socialist premier qualified this dire warning by saying: "We reaffirm our determination to achieve economic and monetary union according to the timetable laid out in the [European Union] treaty."

If, therefore, the epecial andit of public finances which Mr Jospin has ordered for mid-July confirms the "seriousness" of the situation he referred to yesterday, the government will presumably take eome corrective action in mid-September, when the National Assembly will be recalled early to amend the 1997 budget and to approve next year's budget.

But for the moment, Mr Jospin has left doubts hanging in the air as to how far France's overall deficit is running above the European target of 3 per cent of gross domestic prodnct, and whether his government really intends to reduce the overshoot.

Not once in his hour-long speech did the word "deficit" cross the prime minister's lips, in contrast to his Gaullist predecessor, Mr Alain Juppé, who sometimes appeared to talk of little else. Instead, Mr Jospin singled out employment as his government's sole priority.

Significantly, Mr Jospin said it was "in the perspective" of this week'e Amsterdam summit declaration on the importance of job creation in European policy-making that be placed his "reaffirmed" commitment to the Emu timetable.

Significantly, too, Mr Jospin confirmed "an end to the policy of abolishing jobs in the public service," a practice that was only programmed to get under way this year with the removal of 5,600 posts in the 2m-strong central civil service.

Such gradual slimming of France's oversize public administration would have saved little money, but its reversal sends a signal to the unions, disproportionately strong in the public sector, that the squeeze is over.

On the other side of the budget ledger, however, Mr Jospin was cautious about tax-cutting.

Instead of announcing the tiny half point cut in the reduced (5.5 per cent) rate of valne-added tax that had been predicted, the prime minister merely said the finance ministry would examine "perspectives" for lowering VAT.

On most other economic campaign promises, Mr Jospin either gave no details of their implementation or set on it the distant timetable of the end of the current parliament in 2002.

Thus he said the government plan to create public jobs for 700,000 unemployed youth would bear "fruit from this autumn", while his main mechanism for opening job slots up in the private sector – a framework law reducing the standard working week from 39 to 35 hours – was promised for the "end of the legislature".

Mr Jospin will have to put the solidarity of his leftwing "pink, red and green" majority to future tests, but yesterday he concentrated on pleasing his newly elected troops so as to ensure they all backed him in last night's confidence motion.

The 4 per cent increase in the national minimum wage which he announced for July 1 was the least the Socialist premier could do to placate his Communist coalition partners, because the Juppé government raised the minimum wage by that amount when it took office.

Equally, he could do little yesterday but confirm the cancelling of the Rhine-Rhône canal project and the halting of the Superphoenix nnclear plant, because those were the terms demanded by Ms Dominique Voynet, the Greens leader, for taking the environment ministry.

The blackboard may have been swapped for an elaborate tapestry and the scratched teachers' table for a fancier gold-trimmed version, but Mr Lionel Jospin, France's new premier yesterday overcame the change in surroundings to maintain his schoolmasterly image, reports Andrew Jack in Paris.

In his tight, high-pitched tone, he confidently launched into an hour-long speech to the country's National Assembly, bolstered by lengthy welcoming applause from his majority, which occupied comfortably more than the left half of the semicircular chamber.

The teacher-turned-education minister did not neglect his past, repeatedly stressing the importance of education, promising improved conditions for students and free access to school meals for those on low incomes.

He addressed stern glances and periodically wagged his finger at his hecklers on the right, who cried "700,000" – a reference to his election pledge to create jobs – as he confirmed he would close down France's Snperpbénix nuclear fast reactor.

Halfway through his speech, he broke from the prepared text as the opposition snorted at his defence of the compromise on monetary union reached in Amsterdam this week. "If you don't think the result is adequate, tell the President of the Republic, who publicly welcomed it," he retorted.

There was little reaction from Mr Alain Jnppé, France's outgoing Gaullist prime minister, who was relegated to a nondescript seat in the middle of the chamber and had barely exchanged a word with fellow-members of his party before the session started.

Mr Jean Tiberi, Gaullist mayor of Paris plagued by corruption allegations and charges of ballot-rigging, fiddled with his sleeves as Mr Jospin stressed the importance of ensuring the independence of the judicial system from political interference.

But Mr Robert Hue, the Communist leader, who holds the balance of power in the new assembly, was among those to shake his head at the news that the minimum wage would rise just 4 per cent. The opposition will not prove to be the only unruly elements in Mr Jospin's new class of the National Assembly.

## Cresson halts EU block on state aid to chips venture

By Emma Tucker in Brussels

Cresson: broader interpretation of research guidelines

A European Commission decision to block Ecu18m ($20.34m) of state aid to SGS-Thomson, the Franco-Italian semi-conductor manufacturer, has been stalled at the last minute, following frantic lobbying from the French and Italian governments and Mrs Edith Cresson, the commissioner for research.

An investigation by the competition authorities in Brussels concluded that the Italian government aid, to help develop new integrated circuits, went beyond what is allowed for research purposes under state aid rules.

In a letter to Mr Jacques Santer, Commission president, Mrs Cresson, a former Frencb premier, called for the decision to be delayed, arguing that Mr Karel Van Miert, competition commissioner, had not taken into account US support for its semiconductor industry.

The case raises eerious queetions about the way some powerful companies are allegedly manipulating state aid rules to obtain big pay-outs under the banner of research and development.

Mr Van Miert bas targeted it as a central area of abuse in a new crack-down on government subsidies which are on the increase in the European Union.

"Member ststes have found that one of the few ways left for them to give money to companies is by calling it R&D and then getting the Commission to accept it," said an industry expert in Brussels.

The row over the SGS-Thomson aid came to a head at this week'e Commission meeting when Mr Van Miert proposed a ban because the money would assist the ompany - a leading semiconductor manufacturer - with normal commercial activities.

Some 58 new products were described in the aid proposal, many of which are already on the market. They included semiconductors in the fields of computers, power supply, telecoms, cars, and radios.

But Mrs Cresson invoked a rarely used rule that allows the Commission to put off a decision for a week, to muster opposition to Mr Van Miert's verdict. She argues he is taking too rigid a view of the state aid guidelines.

SGS-Thomson is 30 per cent owned by the French government, 30 per cent owned by the Italian government and 40 per cent private. Under state aid rules, eome aid can be paid for industrial research but it must be confined to the development of an initial prototype and not adaptation for commercial use.

## EU treaty joy for German private banks

By Andrew Fisher in Frankfurt and Emma Tucker in Brussels

Germany's private banks reacted with relief yesterday to the European Union treaty declaration on their public sector competitors, saying it did not give public banks any special protection from competition rules.

Having strongly opposed the attempt of Chancellor Helmut Kohl to amend the EU treaty to protect Germany's public sector Landesbanks, the German private sector banking association said it was "satisfied" with the outcome.

It now expected the European Commission to deal with its long-standing complaint against Westdeutsche Landesbank – Germany's biggest public sector bank – over the terms on which it received DM4bn ($2.30bn) of capital through the injection of a state-owned housing development coocern.

The association, whose 300 members include Deutsche Bank, Dresdner Bank and Commerzbank, said it awaited the Commission'a decision "with confidence". The private eector banks claim WestLB received the extra capital on overly favourable terms. WestLB rejects this.

The association had feared the original German protocol to the treaty, aubmitted ahead of this week's Amsterdam summit, would fence off public sector banks from competition and subeidy rules by enshrining their guarantee status in EU law. But the declaration, inserted at Mr Kohl'a insistence, was watered down after other member states objected.

The declaration, which is not legally binding, says the way Germany enables local authorities to make available "a comprehensive and efficient financial infrastructure" is a matter for the country itself. But it adds that "such facilities may not affect the conditions of competition to an extent beyond that required in order to perform these particular tasks and which is contrary to the interests of the community".

Mr Kohl was mainly concerned to ensure the myriad savings banks (Sparkassen) were not put at any disadvantage by intensifying competition between Germany's private and public banks. Because of their historical guarantee status, Landesbanks – which perform financial services for regional states (Länder), local authorities and Sparkassen – obtain triple-A credit ratings from international rating authorities.

This enables them to borrow money more cheaply and thus lend at more advantageous rates. The Commission said in an internal paper ahead of the summit that "competition within the banking sector is currently distorted by public guarantees and will further be distorted if the protocol were accepted".

The Commision had no comment yesterday. But it was suggested the declaration would have no legal impact, should the etate guarantees of the Landesbanks be challenged by the Commission. It would have preferred no mention of German public banks in the treaty, as this could inflnence a future European Court ruling.

The declaration'e wording appears mainly aimed at the Sparkassen, on whose support Mr Kohl ie relying heavily to convince a sceptical German public to accept the single currency. However, the German private banks and the Commission did not object to the savings banks but were concerned at the competitive position of the Landesbanks, which have become increasingly active in large-scale banking business.

## Waigel resolves Bundesbank row

By Ralph Atkins in Bonn

Germany's finance minister, Mr Theo Waigel, yesterday resolved his dispute with the Bundesbank over gold and currency reserves, striking a deal which confirmed that proceeds from a planned revaluation would not be used to help meet the 1997 entry criteria for the single European currency.

In a joint statement, Mr Waigel and Mr Hans Tietmeyer, Bundesbank president, agreed that moves towards European economic and monetary union created ecope for revalning Germany'a foreign currency reserves "to nearer market value" when the central bank draws op its 1997 accounts.

But the principles on which currency holdings are revalued will be decided by the Bundesbank only later this year, and profits will not be distributed until Spring 1998.

The agreement draws a line under a damaging conflict in which the Bonn government had sought originally to realise some proceeds this year from the revaluation.

Mr Waigel was subseqoently forced to back down after fierce protests from the Bundesbank, which described the move as "undermining the credibility and stability" of the planned single European currency.

After an bour-long meeting in Bonn, Mr Tietmeyer described yesterday'e deal as "a workable and good solution".

The Munich-based Ifo economic institute yesterday forecast that Germany would fail to meet the 3 per cent Maastricht target set for public sector deficits as a proportion of gross domestic product.

EUROPEAN NEWS DIGEST

## Russian tax code backed

President Boris Yeltsin declared an "enormous victory" in his reform drive yesterday after the Communist-dominated parliament dropped earlier threats and conditionally approved a new tax code ot its first reading.

The code, which is seen as a critical weapon in the government's fight to put its finances in order and improve Russia's investment climate, will simplify existing regulations, broaden the tax base, and enable the government to plan its 1998 budget on a clearer basis.

In spite of their misgivings, the majority of MPs swung behind the initiative, perhaps fearing Mr Yeltsin would dissolve parliament if they proved confrontational. However, they can present amendments before a second reading in November. *John Thornhill, Moscow*

### Kuchma 'sacks' premier

Mr Leonid Kuchma, Ukraine's president, bowed to domestic and international political pressure yesterday by effectively sacking Mr Pavlo Lazarenko as prime minister. Mr Lazarenko had been widely blamed for presiding over a corrupt administration and atalling desperately needed economic reforms, something he vehemently denied.

In an official statement, the president's press office said that Mr Lazarenko had stepped down temporarily and cited poor health as the reason. However, Mr Lazarenko'e aides said be had been in good health when be met Mr Knchma earlier in the day, and suggested that the prime minister had been fired. *John Thornhill*

### Demirel looks for new PM

Rival centre-right politicians lobbied for the task of forming Turkey's next government yesterday as President Suleyman Demirel began talks with party leaders after the resignation of Mr Necmettin Erbakan, the Islamist prime minister.

Mr Mesut Yilmaz, leader of the conservative Motherland party, is a leading candidate. Motherland's 129 seats in parliament make it second only to Mr Erbakan's Welfare. But Mrs Tansu Çiller, bead of True Path, which formed the secular wing of the outgoing government, is also a contender.

The Istanbul Stock Exchange rose 3 per cent on bopes that Mr Erbakan's resignation would end the crisis caused by a confrontation between the Islamists and the staunchly secular military. *Kelly Couturier, Ankara*

### Swiss bank in prices call

The Swiss National Bank wants its role in maintaining price stability more clearly spelt out in the constitution. At present, its primary objective is to run its monetary policy in "the general interests of the country". However, Mr Jean-Pierre Roth, vice chairman of the bank's governing board, said yesterday that since price stability was the most important target for the central bank, this should be recognised in the planned revisioo of the articles dealing with monetary policy.

Swiss money supply is growing at 7 per cent a year, well above target. Mr Hans Meyer, the bank chairman, told a press conference the overshooting was justified by the weakness of the economy and did not pose a "direct inflationary threat". The economy is expected to grow by 0.5 per cent this year. *William Hall, Zurich*

### Wide gap in insurance costs

A young driver living in Berlin pays about four times more for basic car insurance than somebody of the same age in Lisbon, according to a survey comparing car insurance premiums in eight European Union countries by the European Consumers' Organisation and the Association des Consommateurs Test Achats, a Belgian consumer organisation.

For a young person living in the capital and driving a VW Golf, the yearly average premium for basic third party car insurance ranged from only Ecu346 ($390) in Portugal to as much as Ecu1,391 in Germany.

"Consumers across Europe pay vastly different prices for their car insurance," they said. But the absence of a real internal insurance market hampered competition and stopped consumers shopping around. *Reuter, Brussels*

ECONOMIC WATCH

### Spanish production soars


The recovery in Spanish economic activity was graphically demonstrated by a record 17.7 per cent jump in April industrial production, according to the official index. The rise was exaggerated by a difference in the number of working days compared with the same month last year because of the Easter holidays. But, on an adjusted basis, the 12-month increase was still 12.5 per cent, three times the previous month's rete. The growth spurt left output for the first four months of the year 5.8 per cent up, after adjustment, compared with the same period in 1996. Capital goods and machinery led the April rise with a year-on-year adjusted increase of 14 per cent, followed by consumer goods with 12.2 per cent. The economy ministry said the "extraordinarily high" monthly figures reflected the increasingly strong trend of domestic demand, combined with buoyant exports. The industrial recovery follows a 1.3 per cent fall in output last year. *David White, Madrid*

# Hard choices for Spain's socialist 'dinosaur'

### The party's number two may be forced out, but González is likely to be re-elected leader, reports **David White**

Mr Felipe González, who led Spain's Socialist party away from Marxism and through almost 14 years in government, attended the gathering of European socialists in Sweden earlier this month. Looking around be commented: "I am the dinosaur bere."

Since their election defeat 15 months ago, Spain's socialist leaders have watched the UK'e Labour party and, more surprisingly, the French socialists sweep back into power. They sense the need for a new start if they, too, are to make a comeback. But for Mr González's party – which since Spain's restoration of democracy has spent twice as much time in government as out of it – renewal is no easy task.

A three-day congress starting in Madrid today is set to re-elect the 55-year-old Mr González as leader of the Spanish Socialist Workers' Party, a post he first won at the age of 32 when General Franco was still in power and the party beld its meetings in France. Senior colleagues warn that the proceedings will produce "no big impression of novelty". Nonetheless, it will be here that they begin preparing for the post-González era.

The most immediate issue is a clash over the fnture of Mr Alfonso Guerra, the party's long-standing number two and behind-the-scenes controller. Once Mr González' alter ego and for eight years his deputy prime minister, the waspish Mr Guerra has long since become estranged from the pragmatic Socialist leader. His followers form a hardline clan within the party. Mainstream opponents reckon his demotion is overdue. Convinced be cannot muster more than 25 per cent support in the congress, they aim to oust him by scrapping the deputy-leader post.

Other changes are due in the hierarchy, with plans to reduce the bloated 36-member executive committee and make room for younger faces and a larger proportion of women.

The infighting threatens to eclipse policy debates at the congress, the party's first in opposition since 1981. In that time, its make-up has changed. Of almost 1,000 congress delegates, two-thirds have university degrees, and a similar proportion bold some public office, mostly mayors and councillors. Regional "barons" have established powerful positions, making a shake-out all the more difficult.

A heavier defeat in last year's general election would have led to a prompter, more radically-minded conference. But the González campaign outstripped expectations, coming only 300,000 votes short of a fifth successive victory.

The result raised bopes among the socialists that the minority Popular party government would make enough mistakes for them to stage an early return to power. But as the economy has improved and the government has settled in, this prospect has begun to dissolve.

Although it is still close behind the PP in opinion polls the Socialist party remains under a cloud of corruption charges. Its congress coincides with the trial of the former Civil Guard police chief, Mr Luis Roldán, a case which brings together all the main threads running through recent Soclalist scandals – personal graft, illegal party financing and covert reprisals against Basque terrorism.

Socialist leaders foresee an interim period of a year or 18 months while the party considers what its new message should be and how to tackle the succession to Mr González, who may make way at the next election for another premiership candidate. Mr Javier Solana, the Nato secretary-general, would be a front-runner if he relinquished his Brussels post.

Also open is the party's approach to political alliances. In France, it has a fresh example of a left-wing pact, inclnding Communists in a socialist-led cabinet. This was also the case back in 1982, when Spain's socialists won their first landslide victory. At that time, Mr González shunned the French precedent.

Kept at arm's length, the Communist-led United Left coalition is Spain's third party, with an official line differing sharply from the socialists on crucial questions such as Europe and Nato. As long as the present leaders remain, Mr González on the one hand and the messianic Mr Julio Anguita as Communist chief on the other, conciliation is out of the question, though at a regional level partnerships are starting to be formed.

Since Spain does not operate the same two-round voting system as France, a national-level pact would have a more limited impact on election seats. But some Socialist planners now bebeve a broad left-wing platform may be their best chance for regaining power.

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Confidential Brussels study says Britain's much trumpeted 'flexibility' reflects weak economic structure

# UK labour model 'no match for Germany'

By Robert Taylor, Employment Editor, in London

Germany's social market economy produces a stronger national performance than the UK model of flexible labour markets and relatively low levels of social protection, according to a confidential European Commission paper.

The study, which has been circulated to employers and trade unions, argues that the UK example "can be seen as a response to competitive weakness – given its low levels of capital and human resource investment....

"The key features of UK economic and social policy – the reliance on flexible labour markets, relatively low levels of social protection and flexible exchange rates – are a reflection of its weaker economic structure as much as an indication of political choice."

The report, prepared by the office of Mr Padraig Flynn, social affairs commissioner, appears at a time when Mr Tony Blair, Britain's prime minister, is preaching the merits of UK-style flexibility to mainland Europe, while also stressing the need for high-qnality education and training.

"The UK appears to have a continual struggle to maintain cost competitiveness, because demand for its products and services is relatively price-sensitive," the report says. "Unlike German producers, most UK producers do not normally command a quality price premium. Having less control over their markets, they are less willing to make long-term investments."

By contrast, the German social model is praised. The EU study accepts that "it may create some short-run inflexibility in periods of rapid change, and consensus between the social partners has not always been fully maintained". But, it asserts: "The German model has been the basis for anpporting innovation and structural change over the medium to longer term."

The Commission blames unification, not high social costs for rising German unemployment. "It is difficult to see how unification could have been attempted without the German system of social solidarity," says the report.

Germany's overall economic performance has been superior to that of the UK in recent years, it argues, pointing out that German investment is running at 21 per cent of gross domestic product, against 15.5 per cent for the UK and an EU average of 18-19 per cent.

Also, unemployment in west Germany is no worse than in the UK, though the two countries are at different points in the economic cycle.

The report says that west German social speoding actually declined between 1980 to 1990 from 29 to 27 per cent of GDP, and the "sbarp rise" since then to more than 30 per cent is due to unification. Over the same period, UK social spending rose from 21 to 28 per cent, only 3 per cent below the level for the whole German economy.

While the German budget deficit may be at or beyond the Maastricht treaty's convergence limit, which is "hardly surprising with 4.5 per cent of German gross domestic product being transferred each year to the east, the real economy remains fundamentally sound with low inflation and a foreign trade surplus.

"The German economy does not have a fundamental competitiveness problem," says the study. "It has a balance of trade surplus and stable real unit labour costs."

The report accepts the German economy has some structural weaknesses. It points to a 12 per cent deterioration in manufacturing cost competitiveness over the past 10 years. It also criticises the country's "underdeveloped services due to restrictive regulations, its under-representation in some leading-edge technology sectors and its relatively low employment rate for women".

# Yugoslavia seeks end to financial isolation

## Milosevic is resuming debt talks as a way to rebuild relationships, writes **Anthony Robinson**

Serbia's increasingly desperate president, Mr Slobodan Milosevic, is making a determined new attempt to break out of international financial isolation by resuming stalled debt restructuring talks with the London Clnb representing 350 commercial bank creditors.

The talks re-open in London on Monday with Mr Robert Gyenge of Chase Manhattan bank leading the club's international co-ordinating committee. Yngoslavia, the rump federation made up of Serbia and neigbbouring Montenegro, will be represented by a new team led by Mr Danko Djunic.

Mr Djunic, a fluent English-speaker who headed Deloitte and Touche in Belgrade and also worked for J.P.Morgan, is a technocrat not a politician. But be was recently chosen by Mr Milosevic to become deputy prime minister of Yugoslavia with overall responsibility for economic reform.

He is an advocate of rapid privatisation and tight monetary and fiscal controls but argues: "If we do not succeed in removing financial sanctions we will not be able to go forward and the economy will be strangled by balance of payments constraints".

The main ambition of Mr Milosevic is to remain in power for another four years. He is trying to switch his power-base from the Serbian presidency to the hitherto powerless Yugoslav one. But be is now convinced of the need to attract foreign capital to help revitalise an unreconstructed socialist-style economy crippled by war, four years of United Nations-imposed trade embargoes and the "outer wall" of financial sanctions backed by the US and the European Union.

**President now convinced of need to attract foreign capital to revitalise the economy**

The complication is that these sanctions remain in place as a means of putting pressure on Mr Milosevic to comply witb the Dayton peace accords and send indicted war criminals to the UN war crimes tribunal in The Hague. Washington in particular, as Mrs Madeleine Albright, the US secretary of state, made clear last month; is in no mood to let him off the hook.

Blackballed from the IMF, Mr Milosevic bas watched with increasing frustration as Slovenia, Croatia and Macedonia bave restructured their share of the debts of former Yugoslavia with both the Paris and London Clubs of official and commercial creditors and then gone on to raise bundreds of millions of dollars through sovereign and corporate bond issues and equity placements.

Each former republic accepted a share of the former Yugoslav debt calculated as a percentage of the $4.2bn outstanding from the 1988 New Financing Agreement, the last rescheduling agreement for all-Yugoslav debt before the federal state disintegrated in 1991.

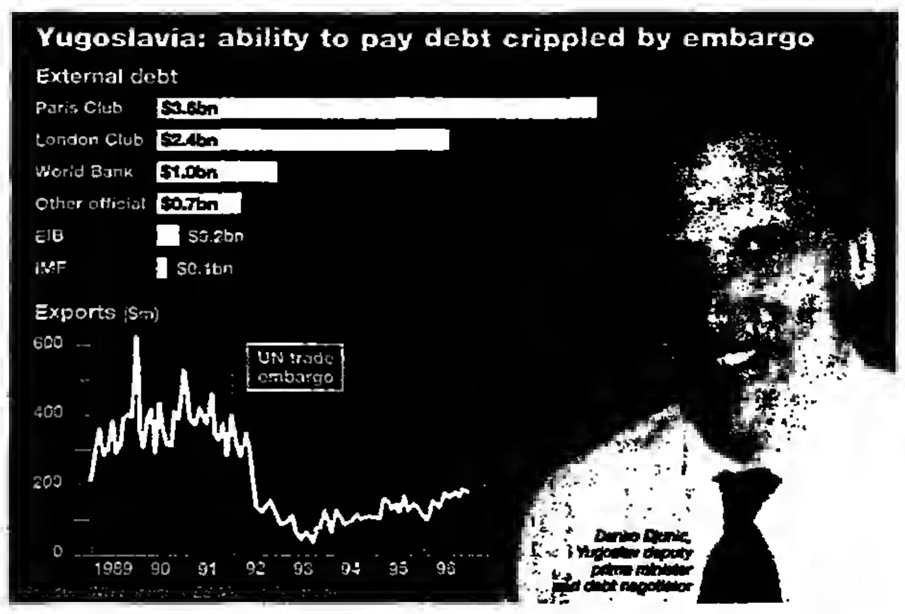
Slovenia accepted 16.4 per cent of the NFA debt, Macedonia 5.4 per cent and Croatia 28.5 per cent. Last November, Yugoslavla agreed to assume a 36.52 per cent share of the former federation's debt, dropping its earlier claim to be treated as the sole successor to Yugoslavia. In total, Yugoslavia could he liable for around $2.5bn, including overdue principal and interest.

While the political obstacles to full normalisation of the Yugoslav situation remain formidable, the Yugoslav team is coming to London with a strong mandate to build on progress to date and to work out a deal.

Ms Parvoleta Shtereva of ING Barings believes that creditor banks are also looking for a deal which could involve the issuance of Brady bonds rather than the more conventional bonds issued by the other former Yugoslav states.

Mr Djunic sees successful debt restructuring as merely the first step towards the normalisation of relations with the other former Yugoslav repoblics and the rest of the world. "The real danger lies in treating the outer wall of sanctions as an excuse for not doing anything," he says. "Certain things would have to be done anyway if we were to qualify for IMF loans and these would take months to prepare.

"So we intend to push ahead with things that we would have to do anyway, whether sanctions existed or not. This means pressing ahead with privatisation, bank restructuring and other reforms, even though we know we cannot undertake serious restructuring without new money."




Danko Djunic, Yugoslav deputy prime minister and debt negotiator

## Serbians redraft state sales plan

Serbia's government yesterday presented its revised draft privatisation law, saying it was also working towards selling important utilities such as the electricity supplier EDS and the oil company Nis, writes Guy Dinmore in Belgrade. "It's very important that we carry ont ownership transformation. There is an absolute political will to carry it out," said Mr Milan Beko, privatisation minister, forecasting that 80 per cent of enterprises would be sold within two years.

The draft will be presented to parliament oo June 30 and is expected to come into effect on November 1.

Workers will receive free shares with a nominal valne of up to DM6,000 ($3,500) and up to 60 per cent of the capital of some companies would be given free, be said.

The sale of 49 per cent of Telecom Serbia this month to Italy's Stet and OTE of Greece demonstrated that foreign investors had confidence in Serbia, Mr Beko said. Economists estimate the private sector bolds only 5 per cent of Serbia's capital but accounts for some 30 per cent of gross domestic prodnct.

# Polish sell-offs to fund pensions

By Christopher Bobinski in Warsaw

The proceeds from the sale of some of Poland's largest corporations and financial institutions are to be used to fund pension reforms, according to a government document given to members of parliament.

Under the scheme, 52 companies including giants like Polska Nafta, which owns Poland's refineries, Polish Oil and Gas (PGNiG), the integrated natural gas company, and Orbis, the hotel chain, are to be privatised to plug the budgetary gap.

The plan envisages the establishment of compulsory private pension funds to provide future retirement benefits through investing a fifth of the present social security payment. This amount is currently paid by employers and is spent directly on payments to existing pensioners.

The budgetary gap, estimated at around 1 per cent of GDP, will begin to appear in 1999 when the reform comes into force.

The privatisation list also includes PKO BP, the country's largest retail savings bank, Telekomunikacja Polska, the national telecoms operator, pharmaceuticals producers and a group of power generators including the Kozienice and Polaniec plants.

The planned direct link between pensions reform and privatisation proceeds commits the government and its successors to a long-term programme of disposals whose abandonment would jeopardise budgetary stability.

The list also contains institutions whose privatisation is under way such as KGHM Polska Miedz, the copper producer, Ciech, the chemicals trader, and PZU, the state-owned insurance company and the sale of the Pekao SA banking group, and LOT, the national airline, which are at the planning stage.

WORLD TRADE NEWS DIGEST

## Salmon war talks resume

The US and Canada have resumed talks over dividing the Pacific salmon catch after a month of often bitter recriminations. Canadian officials said they were "cautiously optimistic" as their US counterparts were authorised to fix quotas. The Canadian side walked out of the last round, claiming the US was negotiating in bad faith because its representatives lacked the authority to set catch limits.

The Canadian team wants a long-term agreement to protect salmon stocks and balance each country's catch of the other nation's indigenous fish. The US and Canadian commercial fishing fleets intercept salmon native to the other country, hut Canada claims the balance weighs heavily in the US favour. The two nations have relied on one-year, patchwork accords to prevent over-fishing since 1992.

*Scott Morrison, Vancouver*

### Efta nations sign accords

The four members of the European Free Trade Association (Efta) yesterday signed a free trade agreement with Morocco and declarations of co-operation with Jordan and Lebanon, which are expected to lead to free trade accords. The Efta states – Norway, Switzerland, Iceland and Liechtenstein – plan accords with all the countries to be associated with the European Union in a Euro-Mediterranean free trade zone due for completion by 2010.

Efta now has 13 free trade agreements, including 10 with central and eastern European countries plus Israel and Turkey. Talks with Tunisia are well under way and negotiations with Cyprus are due to begin later this year.

*Frances Williams, Geneva*

### Hungary scraps surcharge

Hungary announced yesterday it would abolish its import surcharge, currently at 3 per cent, from July 1. This is in keeping with the original government pledge to phase it out by mid-1997.

The surcharge was initially set at 8 per cent in March 1995 to curb the widening trade deficit, and formed a plank of the emergency government austerity programme introduced by the then finance minister, Mr Lajos Bokros.

The surcharge has been reduced in steps – the last change was a 1 percentage point cut in May. Actual revenues in 1995 were Ft73.15bn, well above the projection of Ft56bn, rising to Ft98.75bn ($530m) last year. Revenues in the first four months of this year amounted to Ft20bn.

*Kester Eddy*

### China approves lottery deal

US Heritage, a unit of Chancellor Corporation, has been given final approval by the Chinese Foreign investment Authorisation Division to begin lottery operations in China. Operations will begin with five drawings a week. The first lotteries will be based on televised horse racing results from Hong Kong.

*AP-DJ, San Francisco*

US agriculture secretary attacks EU labelling plan as a restriction on trade

# Genetic products row worsens

By Maggie Urry

A European Union proposal to label genetically modified agricultural products is "unacceptable" and would restrict trade, according to Mr Dan Glickman, US secretary of agriculture.

Mr Glickman said that he had told Mr Franz Fischler, the EU agriculture commissioner, that any plan to label products as containing genetically modified organisms would involve segregating a bulk commodity and would be impracticable and "clearly trade-inhibiting".

After that meeting, Mr Fischler said he understood US concerns but that European consumers wanted to know what they were eating. The Commission would discuss the issne and put forward proposals in a few weeks, he said.

Mr Glickman used a speech to the International Grains Council conference in London yesterday to stress: "We will not tolerate segregation" of genetically modified crops from traditional products."

He said while he respected European consumers' concerns over public health, "sound science must trump passion".

He continued: "Test after rigorous scientific test has proven these products to be safe".

Mr Glickman said food labelling should relate only to health risks. The US would consider any proposals on labelling which were not discriminatory but so far had "not seen a label that meets the test".

He said that European supermarkets which were pressing for labelling should not "fall prey to emotion." Rather than calling for segregation of the products on behalf of their customers, they should educate consumers that the products were "safe and good for the world".

He said that US farmers had found genetically modified crops gave sizeable savings in pesticide use, had reduced water consumption and increased yields. This year between 5 and 10 per cent of plantings of soyabeans and corn in the US were of genetically modified seeds.

He said European farmers would be at a competitive disadvantage if they did not grow the new crops.

Only through the use of biotechnology could the world feed its growing population, be said.

Nearly half the worlds' crops were destroyed hy pests and diseases.

Growing pest-resistant crops would alleviate world hunger, reduce pesticide damage to the environment, and save rain forests from heing cleared for food production, he claimed.

Commodities and Agriculture, Page 24

Glickman: 'Tests proved genetically modified products safe'

# Digital video disc sales on a roll

By Alice Rawsthorn

Four out of ten US bouseholds will own digital video disc (DVD) players in 10 years' time, when DVD softwara will generate annual sales of about $13bn.

Paul Kagan Associates, a Californian research consultancy specialising in the entertainment industry, forecasts that the number of DVD players sold in the US sbould increase from 800,000 in 1997 to 40m in 2006.

Over the same period, according to Kagan's research, the number of DVD titles sold will rise from 5.6m, worth $140m, to 623m worth $13.02bn, creating a lucrative uew market for Hollywood movie studios.

**US: DVD sales forecasts**

| | 1997 | 2000 | 2003 | 2006 |
|---|---|---|---|---|
| DVD players (m) | 0.8 | 10.1 | 25.3 | 39.8 |
| DVD penetration (% US video homes) | 1.0 | 12.0 | 28.5 | 43.0 |
| Sell-through DVD Unit sales (m) | 5.6 | 171.8 | 408.0 | 622.9 |
| Retail DVD Price/Title | 24.95 | 23.48 | 22.10 | 20.91 |
| Retail DVD Revenue | 140 | 4,034 | 9,01a | 13.021 |

Source: Paul Kagan Associates

Digital video disc has been billed as the most promising electronics product of the 1990s.

The first DVD systems, which the electronics industry bopes will replace tbe video cassette as the main medium for watching films at bome, went on sale in Japan and North America last year, and will be introduced to Europe this autumn.

Despite tbe electronics industry's optimism about the new product's prospects, DVD's initial development was clonded hy rows over technical specifications.

Several movie studios, Including Paramount and Walt Disney, were so unnerved by the conflict that they delayed releasing their films on the new discs.

Warner, Sony and MGM have issued their films on DVD, but only 100 titles were available wben tbe first systems came out in the US last winter.

However, consumer response has been strong, and nearly 100,000 DVD players were sold in the US in the first three months.

Kagan predicts that the number of available titles will doohle this year, and more than double in 1998.

It expects all the Hollywood studios and larger independent film distributors to start releasing DVD titles within the next year.

By the year 2000, it expects one in eight of US homes to bave bought DVD players, and some 172m titles, worth $4bn, to be purchased that year.

Three years later, a quarter of all households will own DVD players and the software market should be worth $9bn.

*DVD Market Projections: published in Video Investor report by Paul Kagan Associates, 126 Clock Tower Place, Carmel CA93923. Tel: 408 624 1536.*

# Airbus set to clinch $6bn Northwest order

By Richard Tomkins in New York

Airbus Industrie said yesterday it was close to winning an order worth up to $6bn from Northwest Airlines, the fourth biggest US carrier, giving it a much-needed lift in Boeing's bome market.

The order comes at a time when Boeing has been squeezing the European aircraft maker in the US by signing up US airlines to buy Boeing aircraft exclusively for about 20 years.

Airbus said Northwest Airlines had signed a memorandum of understanding to order 50 A319 airliners and take out options on 100 more, for delivery between 1999 and 2003.

Based on an average price of around $40m, the value of the first 50 aircraft would be $2bn and the total order $6bn.

The memorandum of understanding is a commitment to buy rather than a firm order. But Mr John Dasburg, Northwest's cblef executive, said be hoped it would resnlt in a final agreement soon.

The A319, a twin-engine, 125-seat aircraft, is tbe smallest in Airbus's range. It has the same flight deck as the 150-seat A320 and the 185-seat A321, so pilots can interchange between tbe three.

Northwest is one of Airbus's best customers in the US. It was the first US carrier to order the A320, and currently has 50 of the aircraft, with another 20 on order. It also has the right to huy 16 of Airbus's wide-body A330 aircraft between 2004 and 2006.

Other customers for Airbns's narrow-body jets in the US have included United Airlines, America West Airlines and Federal Express, but Airbus has failed so far to find a significant US market for its wide-body aircraft.

● TI Gronp's Dowty aerospace business yesterday announced contracts worth more than $170m. Tbis brings the amount of new husiness Dowty has announced at the Paris Air Show to more than $270m. In addition, Dowty has heen selected to supply the landing gear systems for the new Airbus A340-500 and A340-600 aircraft.

Dowty's two contracts were to supply a $100m propeller system for Lockheed Martin Alenia's C-27J Spartan transport aircraft, while Messier-Dowty, the joint venture between TI Gronp and Snecma of France, secured a $70m contract to supply landing gear for the Fairchild Dornier DO328-300 commnter jet.

# Online music sales 'to reach $1.6bn in US'

By Alice Rawsthorn

Some $1.6bn-worth of recorded music, roughly 7.5 per cent of the market, will be sold online in tha US in 2002, a new report from Jupiter, the Internet research consultancy, says.

Development of the online market, wherehy music is purcbased hy mail order from internet sites or sent as a digital signal direct to consumers on their computer hard disks, is one of the chief challenges facing the global music industry.

At present, most online music transactions are conducted by mail order from specialist sites, snch as CDnow, or online subsidiaries of established record retailers, notably Tower Records.

Direct delivery systems are proliferating, following improvements in speed and efficiency. Most sell music from independent record labels, hut others are pirate operations distrihuting songs free. Several multinational music groups are now finalising plans to take part in online trials.

Jupiter's report is one of the first attempts to assess tbe future value of online music sales. The fledgling market should treble in value from $18.2m in 1996 to $47m this year, and is then poised for growth.

By 2002, wben half all US households should have Internet access, Jupiter expects online music sales to be worth $1.6bn, witb $1.2bn extra turnover generated by music-related merchandise.

Tbe digital music market will expand in other countries, alheit more slowly, reflecting the lower level of Internet penetration.

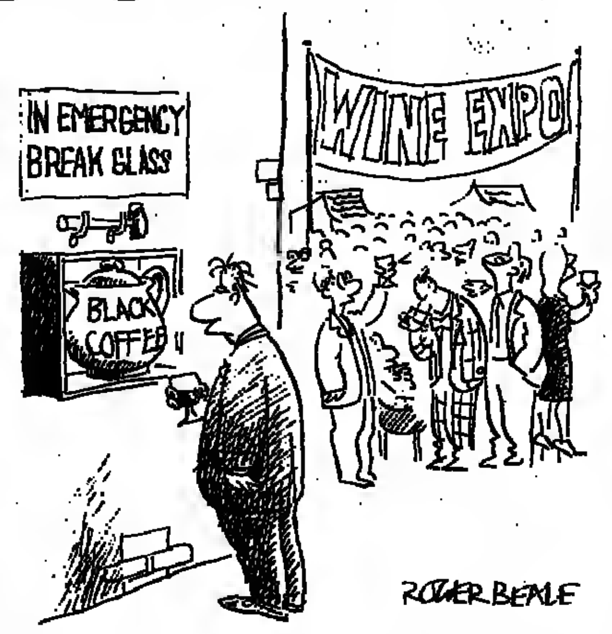
Jupiter also expects growth in the advertising revenue generated hy US music Internet sites. Revenne should rise six-fold to $12.1m this year, reaching $650m, or 4 per cent of all online advertising, by 2002.

Independent record labels will continue to exploit the growth of online sales, according to Jnpiter, hut multinational music groups, such as Sony and PolyGram, will maintain their dominance of the global marketplace.

*Music Industry And The Internet; $995 from Jupiter, 627 Broadway, New York, NY10012. Tel: 212 780 6060.*

# Where wine is 'more mentally challenging than Wall Street'

By Eva Kaluzynska




For five midsummer days every other year, Bordeaux plays host to the Vinexpo, the world's biggest and most influential wine trade fair. About 45,000 visitors are estimated to have attended this year's event, which ends today. "It's the wine world's equivalent of the Cannes Film Festival," said Mr Jacques Lurton, a Bordeaux-based winemaker.

France has long ceased to have a monopoly on world-class wines. Each Vinexpo attracts increasingly confident newcomers, and non-French producers now account for 37 per cent of tbe floorspace. This week, 35 countries were showing their wines, including Algeria, Lehanon, Macedonia, Morocco, Moldova, Slovenia, Tunisia and Ukraine.

The greatest of the great Bordeaux, French châteaux, however, do not have stands at Vinexpo. Instead, tbey open their gates for lavish, exclusive parties for clients and contacts during tbe event.

"I come because the wine world is evolving so fast that I want to hava a sense of what's bappening elsewhere," said winemaker Ms Zelma Longs, executive vice-president of Moet Hennessy California Wineries. "If I could find the same content somewhere else, I would go there," sbe added.

But many also come for the spectacular celebration of wine that the Bordeaux setting provides.

"You spend the week on a high, window-shopping the wines of the world," said Mr Alain Georger, psychiatrist-turned-bubbly maker at Maison Parigot et Richard in Savigny les Béaune, in Burgundy. He comes to meet his customers, and to tasta wines unavailable at home.

Many also attend the London Wine Trade Fairs each May at Olympia, which attracts high-class exhibitors cultivating tbe open UK market, but it is a modest, compact, no-frills affair compared with Vinexpo.

The week is an opportunity to network and trade information as well as wine. This is the first Vinexpo since consumers in northern Europe and Pacific Rim countries shunned French wines in response to President Jacques Chirac's programme of nuclear tests in the Pacific.

At the start of the week, exhibitors at the Australian stand snapped Mr Alain Juppé, the former French prime minister, trying a glass of their wine. Elsewhere, the talk is of a phylloxera outhreak in Chile. Tha country had until now been spared the ravages of a pest that bas devastated most other plantings at one time or another. California too, is suffering phylloxera and cannot produce enough wine to satisfy customers. Faithfuls, including US buyers, are looking elsewhere for supplies.

South Africa is still enjoying something of a honeymoon since the end of apartbeid and is finding it easy to sell everything it makes. That worries some. Sell early, sell often, seems to be the motto in some wineries. Buyers who have heen gazumped out of purchases are not happy.

The vast vineyards of east and central Europe, thought to have huge potential when the region opened up after the cold war, are failing to deliver. The potential may still be there, but prospective investors have been strangled by red tape. They have turned their attention to countries where the atmospbere is more friendly to entrepreneurs.

Hungary, with its great sweet Tokay wines, is one of the few places where they still feel the struggle is worth the trouble, given opportunities elsewhere.

"I never get hored with wine," said a New York importer searching for mid-price Bordeaux reds to fill a gap left by shortages in California. He recently re-entered the business after a time on Wall Street. "Wine's more intellectually challenging than Wall Street," be says, "and it's more fun."

# Mile-high summit to preach stability and democracy

## Boris Yeltsin finally gets a place at the top table this weekend with the Group of Seven elite, writes **Gerard Baker** in Denver

It is amazing what can be done to revive the flagging appeal of an annual gathering just by inviting someone new and changing the name.

That at least must be the bope of the leaders of the world's main industrialised countries as they arrive today in Denver, Colorado, for their annual get-together.

The Group of Seven summits, as they used to be known, have in recent years become predictable exercises, in which the beads of government of the US, Japan, Germany, France, the UK, Italy and Canada, speak glowingly of each other and rededicate themselves to pursuing the virtues of open markets, fiscal rectitude, exchange rate stability and world peace.

But this weekend the proceedings will be enlivened by the irrepressibly alternative figure of Mr Boris Yeltsin, who will be attending the session for the first time as s full member of the elite.

It will not be the Russian president's first summit. He has attended two of the last three meetings ( he missed last year's in Lyons through illness), hut only as a separate digestif following the main course of meetings between the other leaders. This year, though, he will still he excluded from one of the sessions on international financial questions, be will he very much involved in the feast itself.

Denver debaters: The G7 leaders (from left, Hashimoto, Chrétien, Kohl, Clinton, Chirac, Blair, and Prodi) and Russia's President Yeltin in his first full-time attendance

The full Russian presence, celehrated all over Denver this week in flags and helpful tips in the local press on where the Russian delegation might like to eat, is reflected in the gathering's new name – the Summit of the Eight.

The agenda for Denver is the usual *tour d'horizon* of world economic and political concerns. In two areas, establishing an international framework for improving financial stability and finding ways to encourage the development of democracy around the world, some concrete decisions are likely.

But for the most part it will be just an opportunity to talk and listen.

As usual, there will be two separate sets of discussions among the three presidents, four prime ministers and one chancellor, beginning tonight over dinner in a mock-Georgian mansion. In separate sessions over the weekend the foreign and finance ministers will address their own concerns.

On Saturday, seated around a table of Colorado cherry, oak and maple in the Denver public library, the leaders will focus on what is still the main reason for the gathering – discussion of common international economic issues.

Four main subjects will dominate:

■ **Global growth prospects.** President Bill Clinton will have to try hard to resist the temptation to crow as the US economy continues to he star performer. He and Mr Tony Blair, the British prime minister, will once again encourage the others to revive their sluggish economies with more flexible labour markets and deregulation.

But the US, conscious that not all have benefited from the current American expansion, is also keen to promote debate on bow the world should deal with the challenge of globalised markets. "Permeating all the discussions," Mr Robert Rubin, US Treasury secretary said this week, "will be… how to bring the benefits of the global economy and technology to the least skilled in all of our economies".

Japan will be pressed to promote domestic demand-led growth, especially in the light of this week's news of a sharp jump to its trade surplus.

In their meeting, finance ministers will doubtless consider exchange rates. But, given the dollar's sharp fall against the yen in recent weeks, the subject is likely to be less troublesome than in the past. And tbough there will be no formal declaration on European economic and monetary union, the US and others are likely to express concern about the continuing weakness of the continental European economies.

■ **Promoting financial stability.** The G7 (minus the Russians) seem set to approve an international framework aimed at preventing financial crises. As recommended in a report by another international gathering of ministers and officials earlier this year, the official international financial institutions will be given new authority to monitor developments in emerging economies.

■ **Assistance for developing countries.** Following the US announcement this week of a new programme of trade and investment for African nations, the Eight will discuss further assistance for the world's poorest continent. An important element will be recognition of the differences in economic performance of different African nations, and the encouragement of private sector capital flows.

There will also be calls for action against corruption in developing countries. The US wants other countries to agree to a recent OECD recommendation that bribery should not be considered a tax-deductible expense.

■ **Continuing the Russia's integration into the global economic system.** Mr Yeltsin will seek and get further support from his fellow leaders for his efforts to advonce the painful process of transition to a market economy. The Russian leader's symbolic attendance at the meeting is itself an important indication of how seriously the G7 countries regard public demonstrations of support for the still fragile reform programme.

After an intermission on Saturday evening, when the leaders and their wives will be treated to "Saturday Night at the Summit", featuring musical contributions from stars past and present including Lyle Lovett, Ronnie Spector and Eartha Kitt, the talks will turn to political matters on Sunday. As ever, the important issues will be Bosnia, the Middle East, and instability in Asia.

The US has moved to a tougher line on Bosnia in the last month, and it will urge the others to join it in pushing barder for the indictment of the most prominent war criminals, as well as pressing the parties for a quicker return of refugees.

The leaders will also seek to find common ground in their approach towards tbe continuing threats to stability posed by Iran and Iraq, though there are sharp differences between the US, continental European countries and Japan on how to deal with those countries.

There will be agreement on a proposal to find new ways to foster democracy around the world. Officials will be told to report back with specific recommendtaions to next year's summit in Birmingham, England.

One hig issue will be present in a disembodied form throughout. China's growing economic importance in Asia, the return of Hong Kong in 10 days' time, Beijing's poor human rights record and political tension within the US about Chinese trade will ensure a leading role for Chima in the dicussions, even if Beijing is not yet represented at the summit.

The final communique on Sundoy will attempt to sound as energetically positive a note as possible.

But expectations are not high. At an altitude of 5,400 feet Denver is known as the "Mile-High City".

The achievements are not expected to match the surroundings, for all the novelty of the Russians' presence. "Mile high but an inch deep," was the pre-summit verdict of one veteran US economist and summit-watcher.

# Inspection pact 'will save millions'

**By Nancy Dunne in Washington**

Making sense of a regulatory regime is no mean feat. A US-EU pact to accept each other's testing and certification procedures, to be signed at the G7 meeting in Denver, is one of mind-numbing complexity.

But Mr Jay McBride of the National Marine Manufacturers' Association in Chicago understands the pact well; he is convinced it will save millions for boat and yacht manufacturers on both sides of the Atlantic and make them more competitive in third markets.

"American inspectors will cost less because it's going to be me," be said. Under the new pact, associations like his will be qualified to become approved third-party inspectors for the EU. At present, the EU has only two inspectors in the US, and as work piles up, time is lost and inspections become costly.

The US Commerce Department's National Institute of Standards is the body designated to certify inspectors for pleasure craft. Over the next 18 months, US and EU regulators will be working together in a "confidence-building" exercise before each other's reports are finally accepted.

The process is similar under the "mutual recognition agreements" (MRAs) for five other sectors worth about $47bn in trade: medicinal products, medical devices, telecoms, terminal equipment, electro-magnetic compatibility testing, and electro-magnetic-magnetic safety equipment.

Despite different regulatory regimes and customs, both sides have been able to overcome hureancratic objections and agree to accept each other's expertise, but not rules, in testing and certification.

"It will cut red tape, reduce costs and bring products for healthcare, patients, information technology users and other consumers onto the market faster, without compromising on quality," Sir Leon Brittan, EU trade commissioner, said. "It will make existing business cheaper and encourage companies to expand into new markets and new products."

This fiendishly complicated deal means the teams of medical inspectors, which each year cross the Atlantic to examine manufacturing conditions in 200-300 pharmaceutical companies, can stay at bome, after a three-year transition period.

The US and the EU will in most cases accept each other's inspections. The savings in air fares will be spent on more unscheduled inspections by local authorities.

It costs $50,000 for each new model of aircraft to undergo electro-magnetic compatibility testing, which assures equipment does not harm networks or other devices. Under the MRA, the testing and certification performed by one governmental regulator will be accepted by the other's regulatory body.

Approval by certifying hodies for electro-magnetic compatibility of telecoms equipment can take up to eight months because of the limited number of inspectors and backlog of demand. Delays will be cut to under six weeks as harmonisation progresses.

The key to final approval of the MRAs was the Transatlantic Business Dialogue, a group of business leaders in the US and EU wbo first reach consensus among themselves, then keep pressure on the negotiators for agreement. They estimate $1.37bn a year in savings by reducing the time necessary to certify telecoms and information products.

# Netanyahu coalition cracking

**By Judy Dempsey in Jerusalem**

Mr Benjamin Netanyahu, Israeli prime minister, will today try to rally his ministers behind him before s no-confidence vote in which two of the coalition partners are threatening to withdraw support.

The vote, expected early next week, follows the resignation of Mr Dan Meridor as finance minister on Wednesday. He has said he can no longer serve in a government "torn by distrust and intrigue".

It also signals a growing consensus in the political establishment that, even if Mr Netanyahu's government survives the vote, it will be unable to govern without lurching from one crisis to the next.

This is because the coalition is beholden to different interest groups which are at loggerheads over implementing any coherent economic and political strategy.

The government's future rests with Mr Natan Sharansky, head of Yisrael Ba'Aya, the Russian immigrant party, which has four seats in the Knesset (parliament), and Mr Avigdor Kahalani, head of the seven-member Third Way Party.

Their support is crucial for keeping the government's 66-seat majority in the 120-seat Knesset. Mr Netanyahn needs 61 votes to survive.

Mr Sharansky, wbo is also trade and industry minister, has still to decide whether he will ettend today's cabinet meeting. Over the past two weeks, he has held several stormy sessions with Mr Netanyahu, criticising him for reneging on the coalition agreement and a recent promise to consult the party on key appointments.

These include the recent selection of a new ambassador to Moscow and Kiev, which Yisrael Ba'Aliya supporters say had been made hy Mr Avigdor Lieberman, director-general of the prime minister's office, who is blamed by Mr Meridor for orchestrating his resignation. "Sharansky is really fed up with the style of government," a close aide said. "There is a limit to his patience with Netanyahu. He might still be prepared to give the prime minister the benefit of the doubt, but it is far from certain."

Mr Sharansky said his party "already has one leg ont of the coalition". He stayed away from last week's cabinet meeting and instructed his party to vote against the government in several bills on Wednesday.

Parliamentary deputies of the Third Way are also increasingly vocal in their criticism of Mr Netanyahu's style of government, fearing it is damaging their party's image. "Everyone says it's getting more and more difficult for us to share the responsibility for his [Mr Netanyahu's] behaviour," Mr Yehnda Harel, one of the party's deputies, said.

Even members of the prime minister's own Likud party wonder how long the instability can continue. "Concern has grown that the coalition is completely unstable and could fall in the vote," Mr Moshe Katsav, tourism minister, said.

Economists are anxiously awaiting the appointment of a new finance minister. Mr Ariel Sharon, infrastructure minister, wbo in a previous post had organised the building of the settlements, has been constantly mentioned.

Foreign exchange reform, Page 22

# Kenyan MPs come to blows in budget protest

Kenyan riot police clashed with students and MPs traded punches in parliament yesterday as the opposition staged protests in the capital to press demands for sweeping constitutional reforms, Reuter reports from Nairobi.

Opposition members of parliament disrupted a budget speech by the finance minister, Mr Musalia Mudavadi, before the clashes with MPs of the ruling Kenya African National Union (Kanu).

Police and the feared paramilitary General Service Unit (GSU) clashed with bundreds of students in and around the University of Nairobi close to the city centre, witnesses said.

President Daniel arap Moi, who witnessed the chaos in parliament, has agreed to ease a tough law restricting public assemblies but ruled out any more constitutional reforms until after general elections to he held this year.

The contents of the keenly awaited 1997-98 budget were still unknown last night night because Mr Mudavedi's speech was rendered inaudible by the stamping and shouting of opposition MPs.

They waved banners saying "No Reforms, No Budget" and state television stopped its live broadcast of the speech as Mr Mudavadi made his 13th attempt to start. Printed copies of the speech were not distributed.

"There is pandemonium inside parliament. There was an exchange of blows between parliamentarians. It is total chaos," said opposition MP Mr Paul Muite, who was earlier expelled from the chamher for disorderly behaviour.

The government imposed tight security in central Nairobi to foil opposition plans for a rally outside parliament.

# ILO to boost its role in setting standards

**By Frances Williams in Geneva**

Mr Michel Hansenne, director-general of the International Labour Organisation, intends to push ahead with plans to strengthen the agency's standard-setting role, despite vigorous opposition from some developing countries.

However, proposals for a social label certifying countries which respect core labour standards seem likely to be dropped in their present form. They produced a highly negative reaction from poor nations and only a tepid response from richer ones.

Mr Hansenne, summing up the labour standards debate at the United Nations agency's annual conference which ended yesterday, said it had revealed a "fairly broad consensus" in favour of a solemn pledge by ILO members at next year's conference to respect basic worker rights. This would be accompanied by a strengthened supervisory mechanism to monitor compliance.

The ILO's core conventions outlaw forced labour, exploitative child labour and discrimination in the workplace, and uphold the right to organise unions and bargain collectively.

Thongh a number of important developing countries – including China, India, Malaysia, Indonesia, Mexico, Colombia, Egypt and Iran – disagreed with the idea, ILO officials said they were a minority.

The proposal for a declaration is said to have wide support among unions and employers (which are also ILO members under its tripartite structure) as well as among industrialised nations and some developing countries such as Chile, the Philippines and Argentina.

Colombia last week delivered a fiercely critical statement on Mr Hansenne's proposals on behalf of the 113 members of the non-aligned group, but individual countries bave taken a more nuanced approach. A draft declaration and possible monitoring mechanism will be considered by the ILO's governing body in November.

Mr Hansenne acknowledged his social label idea had not been well received but said he still saw a need for a multilateral and voluntary alternative to the proliferation of private social labelling schemes.

The ILO conference also adopted a $481m budget for the 1998-99 biennium, a cut in real terms of 5.6 per cent from 1996-97, approved a revised convention on private employment agencies and paved the way for possible agreement at next year's conference on protection for contract workers.

● The ILO's standards committee yesterday censured Iran, Burma, Morocco, Nigeria, Sudan and Swaziland for violating fundamental labour standards including forced labour, discrimination and denial of the right to organise unions.

## PUBLIC NOTICES

**NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTIONS 8(5) AND 10(6) OF THE TELECOMMUNICATIONS ACT 1984**

The Secretary of State hereby gives notice as follows.

1. He proposes to grant licences under the Telecommunications Act 1984 ("the Act") to General Telecommunications Limited and Eurobell Holdings PLC ("the Licensees") to run telecommunication systems throughout the United Kingdom. Each licence will be for a period of 25 years subject to earlier revocation in specified circumstances.
2. The principal effect of both licences will be to enable each Licensee to install and run telecommunication systems throughout the United Kingdom. The Licensees will be able to provide a wide range of services but excluding mobile radio services and certain international services. Both Licences authorise connection to a wide range of other systems, including earth orbiting apparatus, allowing the provision of some types of international satellite service. On securing a share of 25% or more of the market in respect of particular services to an area specified by the Director General of Telecommunications, the Licensees may be obliged to make available those telecommunication services to all who reasonably request them within that area.
3. Each licence will be subject to conditions such that section 8 of the Act will apply to it, thereby making each of the systems run under each licence eligible for designation as a public telecommunication system under section 9 of the Act. It is the intention of the Secretary of State to designate each of the Licensees' systems as a public telecommunication system.
4. The Secretary of State proposes to grant both of the licences in response to applications from the Licensees for such licences because be considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.
5. He proposes to apply the telecommunications code ("the Code") to both Licensees subject to certain exceptions and conditions throughout the United Kingdom. The effect of the exceptions and conditions to the application of the Code is that each Licensee will have duties:
   (a) to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above-ground apparatus as is already installed for any purpose;
   (b) to comply with conditions designed to ensure efficiency and economy on the part of the Licensees, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of its apparatus;
   (c) to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;
   (d) to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in the licence to its powers under the Code; and
   (e) to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.
6. The reason why the Secretary of State proposes to apply the Code to the Licensees is that the Licensees will each need the statutory powers in the Code to install and maintain the telecommunication systems which are to be installed and run under the proposed licences.
7. The reasons why it is proposed that the Code as applied should have effect subject to the exceptions and conditions referred to above are that they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that the Licensees can meet (and relevant persons can enforce) liabilities arising from the execution of works.
8. Representations or objections may be made in respect of either the proposed licences, the application of the Code to the Licensees and the proposed exceptions and conditions referred to above. They should be made in writing by 21 July 1997 and addressed to the undersigned at the Department of Trade and Industry, Communications and Information Industries Directorate, 257 Grey, 151 Buckingham Palace Road, London SW1W 9SS. Copies of the proposed licences can freely be obtained by writing to the Department or by calling 0171 215 1756.

Anthony J Eden-Brown
Department of Trade and Industry

20 June 1997

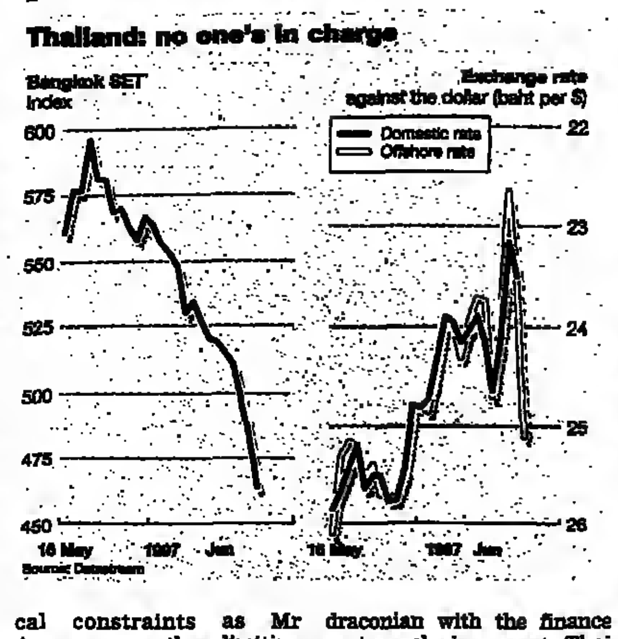
**NEWS:** ASIA-PACIFIC

# Compromisers defeat Thai reforms

## Ted Bardacke reports on the weak leadership which led to economic turmoil

The post of Thailand's finance minister has been filled by a banker, a lawyer, a civil servant, a central banker and another banker in the past two years. Nona has been able to rein in an economy that has lurched from overheating to a deep freeze with lightning quickness.

Odds are that tha next finance minister, will have similar difficulties in solving Thailand's mounting economic problems. Yesterday's resignations by Mr Amnuay Viravan, finance minister, and his protege, Mr Narongcbai Arkarasanee, commerce minister, have exposed once again the failings of a political system that rewards compromisers rather than leaders, and thwarts sttempts at reform.




Mr Amnuay, a non-elected minister, needed decisive backing from prime minister Chavalit Yongchaiyudh to implement plans – which many began to argue were not nearly strong enough – to overhaul the Thai economy. He did not get it, as the prime minister sought to placate the wishes of more politically connected members of his six-party coalition, particularly the second largest party, Chart Pattana.

Now Gen Chavalit is in a bind. If he puts forward a determined technocrat or financier, thet person will be subjected to the same political constraints as Mr Amnuay was, thus limiting effectiveness. But if ha opts for someone more politically savvy, he will get a load of vested interests along with him.

"I don't see at the moment a strong candidate available to really take control of the situation given the political constraints in the cabinet. My auggestion to government... is to aeek advice from the IMF," says Mr Graham Catterwell, head of Thai equities at Deutsche Morgan Grenfell.

The new minister's agenda is quite clear, says a senior Thai banker. He must be draconian with the finance sector, closing most Thai finance companies and some banks which have negative net worth. A mechanism for clearing the real estate market, with the inevitable fall in prices, needs to be established. Once these two meaaures are in place, the authorities can move towards a more flexible exchange rate.

"The problem is that most of the candidates are from the financial establishment," says the banker. "These policies involve pain and they won't want to hurt their own kind."

Mr Amnuay himself had begun to receive similar criticism, as his policy to prop up each and every financial institution was seen as helping bad companies at the expense of the healthy ones. That policy is unlikely to change, says Mr Poosana Premanoch, aide to the prime minister and bead of the search committee for a new finance minister.

"Amnuay was doing a good job. All we really need is someone with a different style, a better marketer," said Mr Poosana. "But the policies will remain the same."

Some analysts suggest the only way out is to create a government of national unity with Gen Chavalit kicking out Chart Pattana and the four other minority partners to bring in the opposition Democrats, who have only two seats fewer in parliament. The Democrats would then be given complete control of the economy, ridding the coalition of its current divisiveness.

But so far the Democrats haven't been approached, says the party spokesman, Mr Abhisit Vejjajiva. He argues thet Gen Chavalit will not risk ditching Chart Pattana because that could lead to them joining np with the Democrats to form an entirely new government with Gen Chavalit on the outside looking in. But as long as Chart Pattana remains in the coalition, the Democrats won't get full control of economic portfolios, their pre-condition for joining any government.

"We are sensitive to the people who are complaining about the economy and who want us to help," says Mr Abhisit. "But we made promises in the campaign. It would be a question of reconciling those two things."

Almost forgotten in all the financial mess and political problems is that fact that the country is in the process of writing a new constitution. The draft will be ready in August and debated by parliament, where most politicians have expressed reservations about charter provisions that would strip them of power and privilege.

With rising layoffs and lower government spending creating a critical mass of discontented people, many political activists are constructing a scenario that dwarfs the current financial turmoil in its intensity if parliament rejects the new constitution for the same basic reason that they rejected Mr Amnuay.

"I'm really worried," says democracy activist Mr Gothom Arya. "We don't have very much time to deal with a lot of very complex issues. The consequences of not dealing with them are very grave."

# N Korean decision expected on talks

By John Burton in Seoul

The North Korean leadership is expected to decide later this month whether to taka part in peace talks agreed to this week by its representatives at a preliminary session, South Korean officials said yesterday.

Representatives of North and South Korea and the US agreed in New York on Wednesday that a preparatory meeting of the four-party talks, also to include China, would take place in New York or Geneva next month or in August.

But it is uncertain whether the Pyongyang leadership will endorse the deal, which would represent a breakthrough in replacing the armistice that ended the 1950-53 Korean war with a peace treaty.

"It's already the aixth time that [the North Korean representative in New York] agreed to our proposal that Pyongyang come out for preparatory talks" only to have the decision reversed by the North Korean government, a foreign ministry official said.

The US and South Korea warned thet they will break off working-level meetings on the peace talks if North Korea refuses the proposal this time, he added.

Officials in Washington gave a more positive assessment of the just concluded talks in New York by saying that "positive progress" had been made and that a preliminary session was likely.

North Korea has bean demanding large-scale food aid to feed its starving population before accepting the peace talks.

Pyongyang yesterday accused South Korea of making a "kind of declaration of war" by conducting recent amphibious war games that proved that Seoul and Washington were ready to strike while the famine-stricken North was weak.

ASIA-PACIFIC NEWS DIGEST

## Nomura chief indicted

The former president of Nomura Securities, Mr Hideo Sakamaki, was yesterday indicted by Tokyo prosecutors for his role in the company's recent financial scandal over payments to corporate extortionists. Most indictments in Japan lead to convictions, and Nomura is now expecting to receive a big penalty for the scandal.

Mr Sakamaki, who was company head 1991-1997, was arrested in a blaze of publicity last month on charges of paying Y49.73m ($428,700) to *sokaiya* – corporate gangsters who demand money from companies in exchange for not revealing sensitive information about them. The prosecutors yesterday made new charges against Mr Sakamaki, alleging that he conspired with another Nomura official to hand over Y320m in cash to the *sokaiya* in a Nomura reception room in March 1995.

Meanwhila, Dai-Ichi Kangyo Bank, also ensnared in the scandal, learned yesterday that several regional governments would exclude the bank from bond underwriting business. *Gillian Tett, Tokyo*

■ A Japanese court yesterday ordered Nomura Securities to pay back most of a client's investment losses. The Hiroshima District Court awarded Y4.3m ($38,000) to a 73-year-old plaintiff who was not given sufficient explanation that the warrant bonds he was buying were risky, a court official said. *AP, Tokyo*

## China on growth target

China's economy maintained growth in May with industrial output up 12 per cent on last year and inflation continuing to slow. China appears on target to achieve projected 8-9 per cent GDP growth for 1997, but economists expect a further easing of credit in the third quarter to ensure the economy does not slow too fast.

The state sector cootinued to rack up heavy losses with an estimated 50 per cent of state-owned enterprises in the red in the five months to May, according to the State Statistical Bureau. *Tony Walker, Beijing*

## UK hardens Burma stance

Britain's government has toughened its stance on trade with Burma in a move that underlines its determination to pursue an ethical approach to foreign policy. Mr Derek Fatchett, Foreign Office minister, said the government would no longer provide financial support for trade promotion activities with Burma until there is progress towards democratic reform and respect for human rights. British officials will continue to provide companies with routine advice about doing business in Burma, but that advice will make clear the political and human rights situation. *Peter Montagnon, London*

## Delhi tax amnesty about-turn

India's finance ministry has beeo forced into an about-turn over a tax amnesty launched this week. The ministry said yesterday that people under investigation for foreign exchange irregularities would not be eligible to declare their "black" assets and thereby escape penalty. Several top politicians and businessmen under investigation for alleged foreign exchange offences would, under the tax officials' initial statement, have escaped penalty by declaring their "black" assets. The amnesty is designed to encourage people and companies to come clean on undeclared assets such as bouses and jewellery. *Khozem Merchant, New Delhi*

# Blair to meet Jiang for talks in HK

By John Ridding in Hong Kong and George Parker in London

British and Chinese leaders plan to hold talks while in Hong Kong for ceremonies marking the transfer of sovereignty over the territory at midnight on June 30, officials said yesterday.

The proposed meeting between Mr Tony Blair, UK prime minister, and Presideot Jiang Zemin of China, is meant to signal a strengthening in ties following Sino-British disputes in recent years. Both sides are keen to arrange talks, though a meeting may fall short of a formal summit.

The Foreign Office in London said it made sense for the two leaders to meet, although no details had yet been arranged. "We have had our differences – we still do – but it is a case of looking forward to the future of Hong Kong and making sure things work out," the Foreign Office said.

The British and Chinese leaders are most likely to hold the talks on June 30 before the handover ceremonies.

Other high-level contacts are expected at the handover.

Mr Chris Patten, Hong Kong governor, will meet Mrs Madeleine Albright, US secretary of state, to discuss issnes concerning Hong Kong and the US. British and US officials are also set to meet Mr Tung Chee-hwa, the territory's post-colonial leader.

The various governments are seeking to play down a rift over British and US plans to boycott the swearing in of the provisional legislature, a Beijing-backed body replacing the existing elected Legislative Council. China has signalled this will not stand in the way of high-level meetings with Britain and the US.

But Britain and China remain divided on Beijing's demand that armed troops be allowed into Hong Kong before the handover. Britain has rejected this, citing an earlier agreement to station unarmed troops in Hong Kong barracks in the run-np to the handover.

Advisers to China on the transition say Beijing is keen on a "new beginning" with Britain.

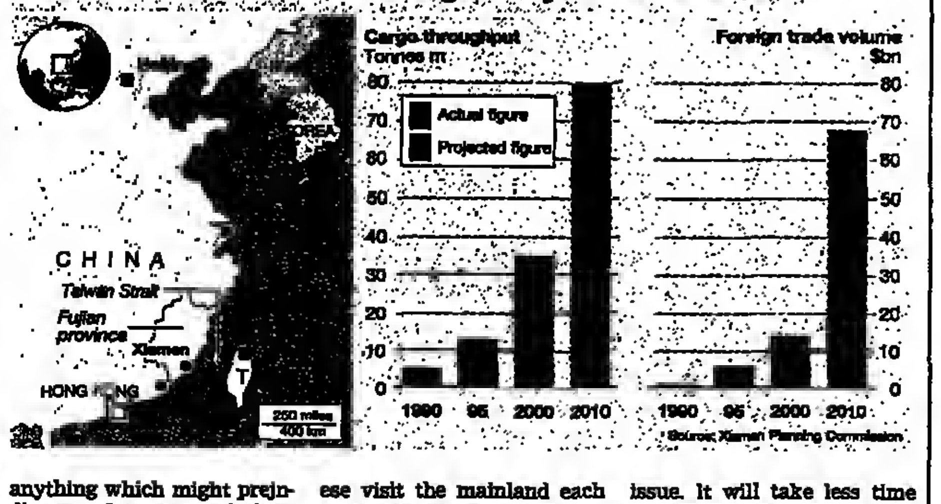
"A meeting between Mr Jiang and Mr Blair would give them a chance to get to know each other and to put behind them the difficulties of the recent past," said ooe member of the preparatory committee, the Beijing-backed body overseeing the handover.

● China has approved the appointment of Mr Robert Francis Cornish, bead of the British Trade Commission in Hong Kong, as Britain's first consul-general in post-colonial Hong Kong, Beijing officials said yesterday, Reuter reports.

# Mainland port gets ready to welcome Taiwanese trade

Preparations are well under way in the city of Xiamen to welcome business from China's prodigal territory: the largest passenger terminal in China is newly built, the renovation of the ferry port is progressing and the container shipping facilities have baan expanded.

But these are not preparations for Hong Kong. The old port is opening its arms in expectation of another prize: direct trading links with Taiwan.




As the state media trumpets the imminent resumption of Chinese sovereignty in Hong Kong, Xiamen is symbolic of how Chinese ambitions towards Taiwan have been bolstered by the handover process – the city, which looks out across the Taiwan Straits towards the island tbat Beijing has regarded as a renegade province since it broke with Communist rule in 1949, is banking on the Hong Kong formula working for Taiwan.

Mr Wu Jie, deputy director of the Xiamen foreign investment committee, says: "With the return of Hong Kong to China, the flights and the shipping routes between Hong Kong and Taiwan are direct so the return of Hong Kong should make a difference... it should break the deadlock in cross-straits relations."

The Chinese leadership, buoyed by the confidence surrounding the Hong Kong handover and the enthusiasm for the late Deng Xiaoping's "one country, two systems" blueprint for managing a devoutly capitalist territory within a communist state, hopes to bring Taiwan back under its wing.

As with Hong Kong, Beijing has seen that the crucial ateps towards eventual reunification will be the establishment of normal trading relations and then drawing Taiwanese business into the mainland economy.

However, expectations seem to be running ahead of the cross-straits relationship and Beijing may be pressed to meet the hopes for Taiwan raised by the Hong Kong handover. Tha Taiwan government, which remains deeply suspicious of Beijing and reluctant to concede anything which might prejndice any future negotiations on the relationship, has shown little inclination towards resuming direct links.

Taiwanese rules strictly prohibit direct trading, transport and communication links with the mainland. Large-scale Taiwanese investment in sensitive sectors such as infrastructure, finance and high technology are banned.

Most Taiwanese business is routed through Hong Kong. When Hong Kong returns to Chinese eovereignty at midnight on June 30, de facto direct links with tha mainland will have been restored and there is eager – some say over-eager – expectation in Xiamen that the handover will hasten normalisation of relations.

The city, once known as Amoy, sees itself as the natural gateway for Taiwanese businessmen. It is a 45-minute flight from Taiwan, and approximately 70 per cent of the Taiwanese can speak the local Fujian dialect and trace their ancestors back to the province.

Mr Wang Yanfei, vice general manager at Xiamen Internstional Airport, explains that the promise of Taiwanese traffic was one of the reasons why the city of just 1.2m people has built a large passenger terminal with a capacity for 10m passengers a year.

"When direct links are restored, Xiamen will be the most important place of entry for Taiwan compatriots. More than 2m Taiwanese visit the mainland each year via Hong Kong and Macao and when they can travel directly, most of them will come in through Xiamen," he says.

Taiwanese-invested businesses already account for more than 40 per cent of Xiamen's industrial output and officials expect that to rise if relations improve.

At the Xiamen Municipal Planning Commission, Mr Ma Hongbin says: "Restoration of direct links plays a very important role in our strategy for developing the city". The passenger wharf is being renovated with a view to enabling ordinary Taiwanese and their mainland relatives to visit each other frequently and cheaply by ferry.

The third phase of construction is under way at the city's main container port, which is expanding capacity in anticipation of the restoration of direct links. And in nearby Meizhou Bay, also in Fujian province, China plans to invest Yn200bn ($24.1bn) to create a 100m tonne container port by 2005, according to reports in the official Chinese media this week.

Earlier this year, the first ship in nearly half a century sailed direct from Xiamen to Kao-hsiung in south Taiwan. The revised rules only permit transshipment, whereby goods from the mainland are reloaded in Taiwan and shipped on elsewbere, but not imported into the island.

"It has taken us 14 years to resolve the Hong Kong issue. It will take less time to restore relations and win back Taiwan. We have experience in building first the business relationship and then the political one," said one local government official.

Beijing is also eager to make the most of the momentum generated by the Hong Kong handover. The goal is "peaceful reunification", but the terms are even more generous than those offered Hong Kong.

Mr Li Lanqing, China's vice premier, says: "The formula of 'one country, two systems' which we apply now to the question of Hong Kong also applies to the settlement of the Taiwan question in the future.

"On the Taiwan question, there is going to be greater flexibility," he says, confirming that Beijing would not wish to station troops or senior officials in a reunified Taiwan, but would invite Taipei officials to take part in the national government.

"I believe the day will come when Taiwan will be reunified and comes back to the mainland. It is only a question of time," says Vice Premier Li.

In Xiamen, Mr Wang at the enormous airport terminal bas already been approached by a number of Taiwanese businessmen with private jets who want to book landing space at Xiamen. He looks forward to the day when "people fly into Xiamen in the morning and back to Taiwan for dinner".

**James Harding**



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Goods and services deficit widens by 7.8% but exports up to record levels

# US trade gap rises to $8.4bn

By Nancy Dunne in Washington

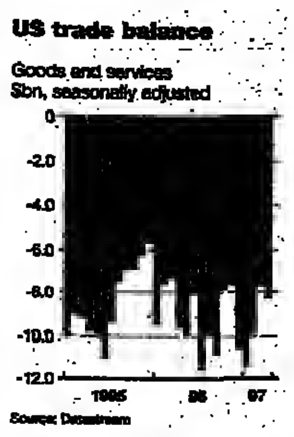
The US goods and services trade deficit widened by 7.8 per cent in April to $8.4bn but the increase was less than expected and exports, boosted by sales of telecommunications equipment, rose to record levels.

The US Commerce Department said yesterday that imports rose 0.9 per cent to $86.7bn, as shoppers flooded stores to buy clothing, toys, sporting goods and other consumer products.

The services sector, usually a strong component of the export figure, dropped last month to $20.7bn. This put the US surplus for the sector et $6.8bn, down from $7.1bn in March. The fall was mainly due to a $340m decline in travel and tourism revenues. "The improvement in the April deficit from the first quarter average suggests that trade should add to second quarter growth after it subtracted from GDP in the first quarter," said analysts Merrill Lynch. "We continue to look for GDP to rise about 2 per cent in the second quarter."

However, the trade picture is negative in almost every product category and with almost every region in the world. "Trade losses in 1997 are 10 per cent worse than the record losses of 1996," said Mr Charles McMillion of MBG Information Services.

The gloomy picture with the US's partners in the North American Free Trade Agreement improved slightly in April.




The US deficit with Mexico fell by 5.2 per cent from March to $1.4bn as the US recorded record exports of $5.7bn. Most of the exports are components of goods to be re-shipped to the US.

The deficit with Caoada narrowed to $970m from $1.3bn the previous month.

The trade deficit with Western Europe was a record $486m after a $320m surplus in March, but the trend overall is narrowing. Imports of oil rose last month by 2.3 per cent to 309m barrels, and the deficit with OPEC widened to $1.69bn, from $1.44bn in the previous month.

Even worse news for the Clinton administration, the deficit is widening with China, Japan and the Asian Rim countries. The shortfall with China climbed by 33 per cent to $3.45bn, up from $2.6bn in March.

The vote on renewing China's Most Favoured Nation trade status is due in the House of Representatives by the end of the month, and the worsening US trade picture is a major concern cited by the opposition.

The US deficit with Japan climbed to $4.8bn, up from $4.6bn in March. It is the worst US deficit since October 1996.

In a separate report released by the Commerce Department, the US current account deficit increased to $41bn in the first quarter of 1997, up from $37bn in the fourth quarter of 1996. A shift to a deficit on investment income was augmented by an increase in the deficit on goods and services.

US miracle, Page 13

# Mexico's jobless rate falls to 3.9%

By Leslie Crawford in Mexico City

Mexico's unemployment rate fell to 3.9 per cent in May, its lowest level since the onset of the country's financial crisis in December 1994.

The Notional Statistic institute said employment was growing strongly with the number of workers registered at the Social Security Institute up 9.1 per cent in May.

Job creation has been apearbeaded by Mexico's Industrial sector, which grew by 8.4 per cent in the first four months of 1997. The border "maquiladoras" – Mexico's tax-exempt manufacturing plants – increased their prodnction by 13.2 per cent in the same period. The construction industry, traditionally a big employer, grew by 10.4 per cent.

The figures point to a consolidation of Mexico's economic recovery. Earlier this week, Mr Guillermo Ortiz, finance minister, said economic growth would be stronger in the second quarter of the year than in the first quarter, when gross domestic product grew by 5.1 per cent. He also forecast inflation for June of less than 1 per cent. "We will end the year with an inflation rate of between 15 and 16 per cent, which is practically half the rate of inflation registered in 1996," said Mr Ortiz.

Low wages, however, have continued to delay the hoped-for recovery in consnmption. Aggregate demand figures for the first quarter of 1997, published yesterday by the finance ministry, showed an increase of only 2 per cent in private consumption compared with the same, recession-hit period in 1995.

Investment outlays were strong in the first three months of the year. Private-sector investment grew by 18.9 per cent, while public sector investment grew by 14.1 per cent.

AMERICAN NEWS DIGEST

## Brazil keeps telecoms limit

The Brazilian government has maintained the right to limit the participation of foreign groups in private telecoms companies, after winning o vote in Congress on Wednesday night.

The lower bouse rejected an amendment to a law on the telecoms industry which would have removed all restrictions on foreign investment in the sector. The amendment was opposed by the government but supported by a number of deputies from political parties in the coalition.

Analysts said that although the government had the power to limit the level of foreign involvement this would not be a disincentive for foreign companies wishing to take part in the privatisation, as most were already involved in some form of joint venture with Brazilian partners. Foreign operators would also be attracted by the high growth potential of the telecoms industry in Brazil, analysts said.

The vote came after the lower house had approved the new telecoms law, which sets up a regulator for the industry and paves the way for the privatisation of the sector. The government plans to break up the Telebras holding company into regional units and privatise them over the next two years. *Geoff Dyer, São Paulo*

## Merrill Lynch in settlement

Merrill Lynch has ogreed to pay $30m (£18m) in an out-of-court settlement with the Orange County District Attorney, who will drop an investigation of the US brokerage, according to sources close to the case. The settlement is believed to include a denial of wrongdoing by Merrill.

Merrill still faces a $2bn civil suit brought by the Californian county, which filed for bankruptcy in 1994. Orange County's troubles, resulting in the biggest municipal bankruptcy in US history, came after its former treasurer, Mr Robert Citron, made speculative financial investments, mainly through Merrill.

Merrill, which is still being investigated by the US Securitives and Exchange Commission, its regulator, in connection with the bankruptcy, has consistently denied any wrongdoing. *Tracy Corrigan, New York*

## Guatemala names committee

Guatemala's former rebels have named the provisional executive committee of their new political party less than six months after signing a peace treaty ending 36 years of armed conflict. The new political leadership of the demobilized URNG is due to be inscribed in the civil registry on Friday, the first step in a procedure that normally takes up to two years to complete.

If all goes smoothly the URNG will be authorised to participate in municipal elections next year and general elections in 1999. The top position in the committee is occupied by Mr Ricardo Ramirez, better known as Comandante Rolando Moran. Mr Ramirez beaded the EGP, the most numerous of the factions that made up the URNG's fighting force. The EGP is also the group most closely identified with Guatemala's traditionally marginalised indigenous majority. Mr Jorge Soto, alias Comandante Pablo Monsanto, slots into the position of vice-president. Mr Soto beaded the Rebel Armed Forces (FAR), the oldest of the Guatemalan guerrilla groups formed in 1963. *Johanna Tuckmon, Guatemala City*

# Tobacco negotiations on brink of settlement

By Richard Tomkins in New York

US cigarette makers and anti-tobacco lawyers yesterday appeared to be on the brink of reaching a historic settlement that would end the biggest legal claims against the tobacco industry in return for payments of at least $12bn a year.

As President Bill Clinton left for the G7 summit in Denver, Mr Bruce Lindsey, an aide who has liaised with both sides during the talks, stayed behind to monitor the final negotiations.

Several state attorneys general involved in the talks said negotiators were poised to present an agreement in principle to the White House, and tobacco stocks jumped sharply in New York amid rising expectations that a settlement would be finalised before the weekend.

At 1pm, shares in Philip Morris, the biggest US tobacco company, were up $2⅝, or 5 per cent, at $47⅞, and shares in RJR Nabisco, the second biggest US tobacco company, were up $1¼, or 3 per cent, at $35⅝.

Cigarette makers bave been in talks with representatives from 40 states since April about a deal that would settle the biggest lawsuits pending against the tobacco industry in return for payments totalling at least $300bn over the next 25 years, increased regulation, and curbs on advertising.

The main participants in the talks are lawyers representing tobacco companies and attorneys general of states suing the tobacco industry for the billions of dollars they have spent on tresting sick smokers.

The two sides have agreed the framework of a deal that would settle all the states' lawsuits against the industry, plus all present and future class action lawsuits brought on behalf of smokers. Individual smokers, however, would still be able to sue.

One sticking point that has prevented a deal being struck is whether individuals should be allowed to sue for punitive damages as well as compensatory damages. The pnblic health community is concerned that the tobacco industry should not escape punishment for its perceived wrong-doings.

The other main obstacle has been the extent to which the Food and Drug Administration would be able to regulate the industry. The tobacco companies do not want the agency to have unlimited powers for fear that it would insist on the gradual elimination of nicotine from cigarettes.

Yesterday the two sides appeared to be working towards a deal under whicb the industry would be relieved of punitive damages for its past conduct in return for extra payments into the settlement fund. The 30-year limit on the settlement might also be replaced by an open-ended deal.

But any agreement faces vigorous opposition from public health edvocates, who say tobacco companies and lawyers will be the main beneficiaries.

# Bid to narrow encryption case

By Louise Kehoe in San Francisco

US government lawyers have been trying this week to stop a federal court ruling that would undermine US export control regulations on encryption software.

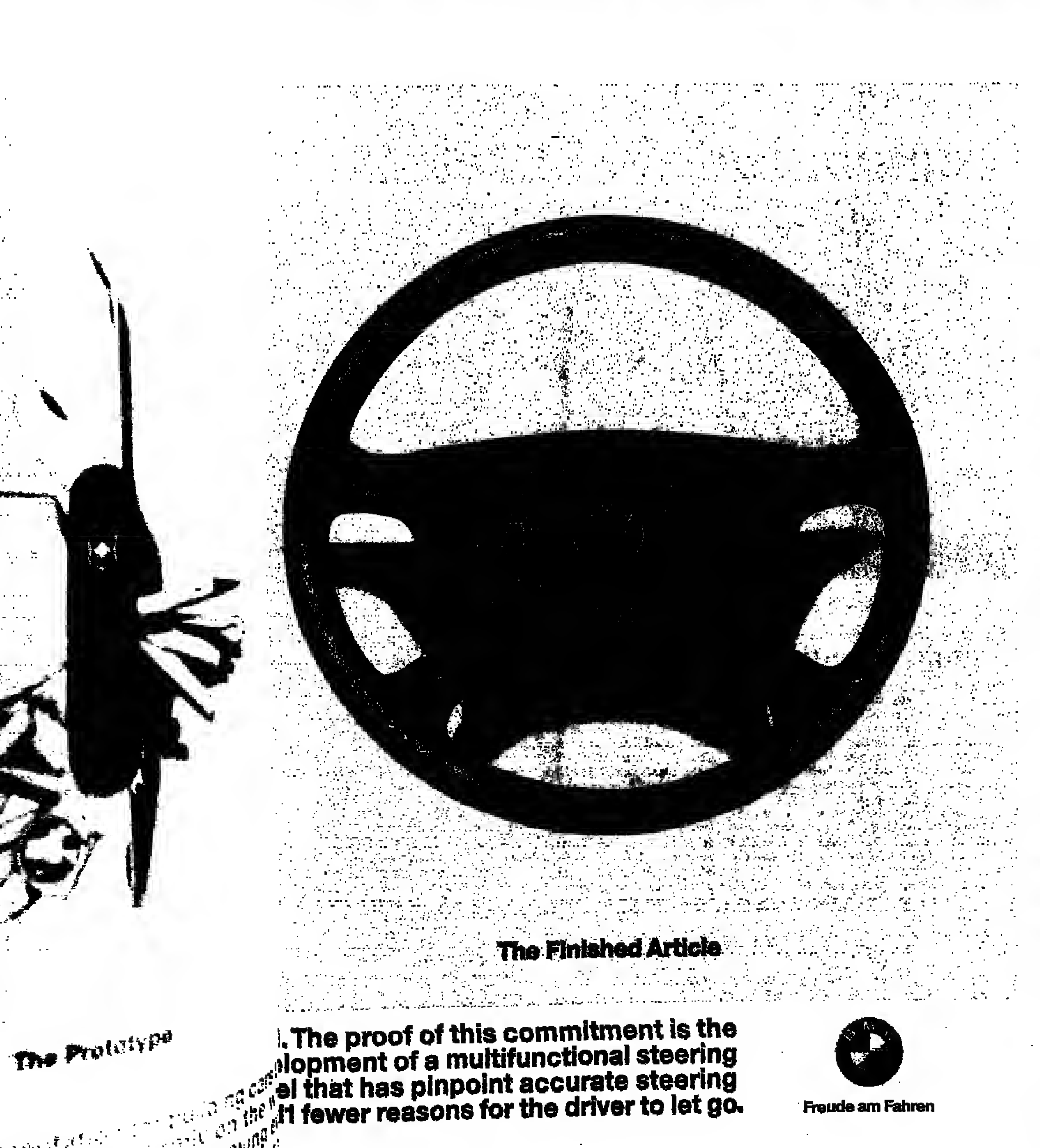
The case involves Mr Daniel Bernstein, a former University of California professor who is challenging the right of the government to prevent blm from distributing on the internet a program he wrote called Snuffle. The program can be used to scramble, or encrypt, e-mail messages to protect them from hackers.

As the case appears to be going against the US Justice Department, its lawyers have argued that any ruling should be narrowly focused, so preserving the regulations. Mr Bernstein's lawyers have said the export regulations violate his free speech rights. Already, Judge Marilyn Hall Patel has issued two rulings in Mr Bernstein's favour, including a ruling that software code constitutes "speech", under the legal definition.

The lawsuit could bave implications for the US software industry which is fighting export controls that prevent the sale outside the US of programs for the internet tbat incorporate strong encryption codes.

Government lawyers aimed to persuade the judge to epply her ruling only to Mr Bernstein. However, software industry executives are hoping that the ruling will be broad enough to apply to other encryption products. The federal court proceedings in San Francisco come as Congress is considering new laws that would allow exports of encryption products only if a "key escrow" system is created. This would enable security or law enforcement agencies, under certain circumstances, to obtain the "key" to unlock coded messages.

The US software industry is opposed to the scheme, saying it would be unacceptable to many of its international customers.




# Chile pension managers weigh up overseas risks

Government urges the attractions of seeking growth abroad

Chilean pension fund managers, their waistbands in danger of being stretched as fast as their horizons, are being lunched and dined assiduously by professional fund managers keen to help them invest some of their assets abroad.

The government and the central bank are urging them on. Both authorities are keen on overseas investments, as they help relieve upward pressure on the exchange rate resulting from strong inward investment.

In the longer term, having the pension funds abroad alongside the growing number of Chilean companies investing in Latin America also helps the government's case that Chile should look abroad for further growth.

But the pension fund managers are cautious. Their funds, known as AFPs, manage assets of about US$30bn, almost half Chile's gross domestic product.

The smaller life insurance companies hold another $7.5bn. Both are authorised by the industry's supervisory board to invest abroad – up to 12 per cent of their portfolios in the case of the AFPs. But currently they have less than 1 per cent outside Chile. "They haven't even invested in the Dow-Jones index," says one exasperated government official. Part of the reason for their caution is the attraction of high domestic interest rates. Long-term investments are yielding about 12 per cent a year, with no exchange rate risk. Until a couple of years ago, the local equities market was also rewarding enough to make the cost and risk of outside investment unattractive.

But in 1995 the AFPs made their first-ever losses, a negative 2.5 per cent return in real terms which provoked widespread criticism. As a result the fund managers began to look more seriously at ways of diversifying their investments and improving the returns.

One of their options is to bny into well-established international mutual funds, run by North American or European managers, such as Templeton or Fidelity. Another option, since April, has been to invest in Chilean-run funds, known as FII (*fondos de inversiones internacionales*).

There are nine such funds in the pipeline or already approved by the Chilean securities board. One of the first expected to come to market, at the beginning of July, is Moneda International, which is offering to invest the AFPs' money in infrastructure projects in other Latin American countries. It will go in partnership with big Chilean companies like Endesa, the premier generator, and CTC, the leading telecom company, primarily into privatisations in the region.

The opportunities are considerable – some 125 companies with total assets of $23.7bn are scheduled to be sold off in Latin America during 1997, according to Mr Francisco Silva, Moneda's fund manager.

Mr Silva, himself a former Endesa executive, says the institutional investors like the tie-in with Chilean management.

Companies such as Chilectra, the Santiago electricity distributor, claim proven expertise in turning round state companies in Argentina and Peru. Moneda's holding company, Moneda Assets, also has the IFC, the World Bank's private lending agency, as a minority partner.

"The World Bank estimates that Latin America should be spending $1bn a week on new infrastructure, but it believes that those funds will have to come from the indnstrialised countries," Mr Silva says. "We are betting that at least some of the resources can be mobilised within the region, and this is a first effort." The fund's initial public offering will be for $70m, and it is authorised to place shares for up to $250m. Ideally, it would like to make the second offering offshore, hoping to attract other regional pension funds.

But there are doubts about the new funds because of their lack of liquidity, since virtually their only clients, for the moment at least, will be the local institutional investors. Their potential assets are also almost by definition not liquid, being infrastructure projects or real estate or non-traded companies.

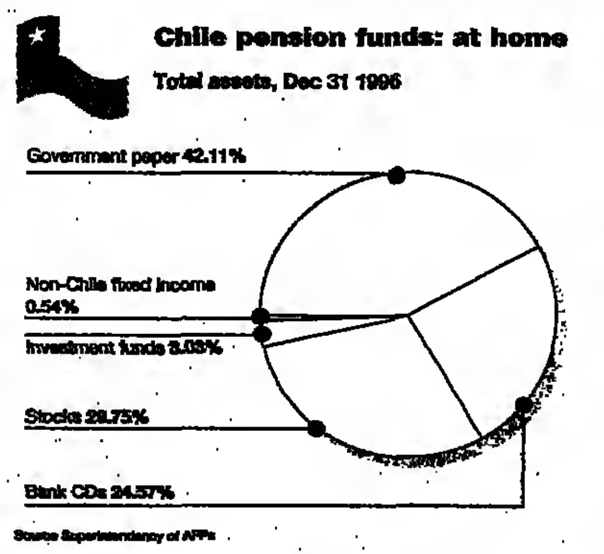
Mr Eugenio Valck, investment manager at AFP Habitat, doubts that there will be business for the number of FIIs being planned.

Several offer tbe same products, others offer little more than a partnership with a foreign fund manager, whom the AFPs could deal with direct. Habitat is one of the three or four pension funds that ventured into foreign investments in 1993 and 1994. But the returns were not good enough and there was no insurance to cover the exchange-rate risk, so it pulled back to Chile to await legislation which would allow it to invest in foreign stock.

Getting out of Chile has been a slow process, Mr Valck says, and has gone at the pace of the slowest. The more adventurous managers are held back by what one of them calls "journalistic risk" – the risk of a negative story in the press about an investment.

"There are 20,000 salespeople out there in the market, using every argument they can find to persuade customers to switch from one fund to another. [Last year there were nearly 2m transfers in the course of the year out of 3m paid-up affiliates.] So no-one can afford the smallest problem with a foreign investment – they'd lose too many clients."

**Imogen Mark**




**The Chilean government is pressing for changes in the administration of pension funds, and has sent a bill to congress this week to alter the structure of the commissions paid by clients to their fund managers, Imogen Mark writes.**

**The bill proposes, for example, to allow the funds to reduce commissions to affiliates who stay with the fund for a specified period. At present, a very high rate of turnover is occurring, as the different funds compete for each other's clients, and often offer, illegally, substantial gifts or money.**

**Another proposal is to allow groups, such as trade unions, to negotiate a collective, lower commission for their membership. The industry, while keen to see measures to reduce the present competition, is not convinced the government's proposal will bring real changes.**

**NEWS: UK**

As William Hague takes the helm former chancellor Kenneth Clarke opts for calmer waters of the back benches

# Tory MPs opt for fresh start with an 'unknown quantity'

**By Robert Peston, Political Editor**

Tory MPs were last night coming to terms with the gamble they had taken in electing Mr William Hague as their new leader. Some looked anxious, some exhilarated, but all were unsure precisely what the future held.

"He has youth on his side and he looks slick on television," said an influential rightwing backbencher. "But what do we really know about him? He is a hit of an unknown quantity."

Another Tory MP saw parallels with Labour's turbulent history in the 18 years before its general election triumph last month. "Like Labour, we needed to signal a fresh start by choosing a leader unemcumbered by too much baggage," said this former cabinet minister. "What I am not clear about is whether he is Neil Kinnock or Tony Blair."

His fate depends not only on hie own relatively untested leadership abilities bnt also on whether his party is ready to abandon its past obsessions and coalesce around a renewed sense of political purpose.

He has already suffered a setback. Mr Kenneth Clarke, the former chancellor who ha defeated in yesterday'e final round of voting, said be would not eerve in the shadow cabinet.

This deprives Mr Hague of the services of one of the Tories' most effective parliamentary battlers. It could also damage Mr Hague's aim of uniting his party, since pro-European Tories will have a powerful backbench leader in Mr Clarke.

> There is very little doubt that William Hague will make the party more Eurosceptic and traditionalist

Mr Hague faces a difficult task in holding his party together. Those Tories who support European economic and monetary union – a dwindling hut nonetheless important etrand in the party – were demoralised by the result.

Although Mr Hague is not an extreme Eurosceptic, ha took a hardline against sterling joining a new European single currency during his campaign and said no one could serve in his shadow cabinet who did not agree with him.

So what kind of Tory party will Mr Hague'e be? Much of his appeal was built on the need to modernise its structure and marketing methods, unashamedly praising Labour'e successes in this area.

The challenge is formidable, given the party's poor repreeentation in local, national and European government and given that the average age of members is in the mid-60s.

He will put more emphasis on improving public relations, controlling and coordinating the utterances of his frontbanch team and exerting greater central control on constituency organisations.

This will not be easy, since ordinary Tory members jealously guard their financial and political independence.

He will almost certainly have to offer them a significant role in the election of future leaders if he is stand any chance of getting their acquiescence to a more streamlined structure.

Any relaunch is also likely to succeed only if Mr Hague can come up with a programme of policies which differentiete it from e Labour party which has moved to the centre hnt resists the temptation to become extremist.

"There will be siren voices urging him rightward," said a former minister. "They must be resisted.."

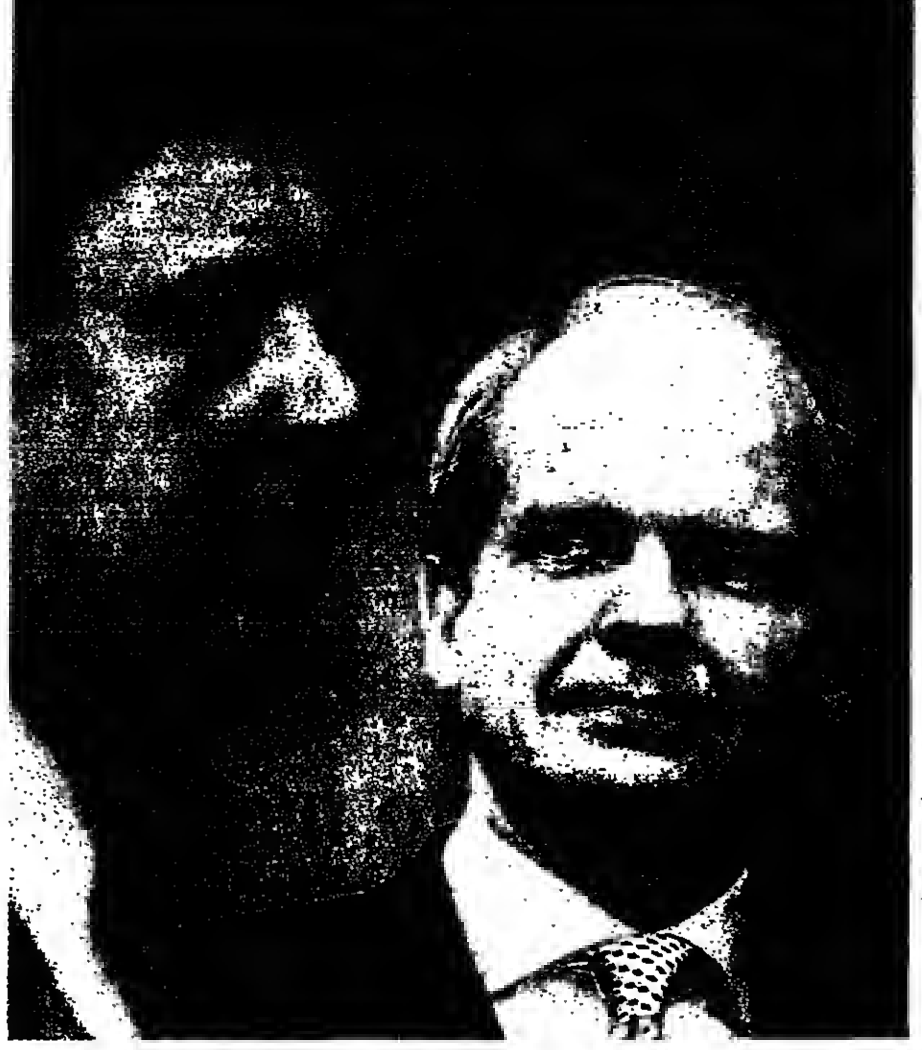
However, there is very little doubt Mr Hague will make the party more Eurosceptic. It is also likely to become more authoritarian and traditionalist on law and order issues, since Mr Hague has never made any secret of his admiration for Mr Michael Howard'e performance as home secretary in the last government.

On welfare reform, he is likely to pick up the agenda of increasing the involvement of the private sector in pension provision initiated before the general election.

He is also a proponent of setting tough targets for cutting overall public spending and in general reducing the size of the state.

But what is less clear is bow he sees the Tory party's central message, whether he sees the party as an inclusive organisation or an exclusive one serving particular interests.

"I think it is going to take us a while to discover our new identity", said a senior Tory. "It won't take us as long as Labour [in the 1980s] but it will be too late for us to win the next election. On the other hand, I think William could at least put us on the long path to becoming a serious contender again."



Brendan Corr

Out of the shadows: William Hague must now look beyond party squabbles over leadership

# Clarke counts the cost of miscalculation

**By John Kampfner, Chief Political Correspondent**

He will not want it remembered this way, but Mr William Hague can put his victory in the Conservative leadership last night largely down to miscalculation by his opponents.

As soon as Mr John Redwood threw his weight behind his ideological counter-point, Mr Kenneth Clarke, on Wednesday, several Eurosceptics went apoplectic. Mr Redwood was delivering the party to the devil, they said, and they could no longer follow him. Yet just as many, it seemed, were prepared to pnt aside their doubt and fall in behind the ex-chancellor.

However as the dust settled and voting began yesterday, the waverers flocked to Mr Hague. They switched allegiances because they saw that the very charge laid against Mr Hague – opportunism and consensus – had been swept away by what they saw as a cynical left-right Clarke-Redwood ticket.

This was an election Mr Hague nearly threw away. With Mr Michael Portillo losing his seat at the general election, the 36-year-old former Welsh secretary was installed as the favourite as soon as Mr John Major announced his intention to resign. He was the figure of the centre-right closest to the median point of the party. Yet he had an image problem. He was young, had only two years of cabinet office behind him, and he was seen as "John Major mark 2".

In spite of his personal appeal, and his experience, Mr Clarke could count on a loyal, rather than extensive, power base. That be took the lead in the first two rounds testified more to the divisions among his opponents than sympathy with his views on Europe.

Mr Hague's biggest boost came in the failure of Mr Peter Lilley and Mr Michael Howard, two former cabinet members who might have broadened their appeal, to win through in the first round, surprisingly beaten by Mr Redwood.

Even though many waverers might have subscribed to Mr Redwood's views on European monetary union, they could not bring themselves to vote for a man who had shown "disloyalty" by standing against Mr Major in 1995. Nor could they go for Mr Clarke. Mr Howard and Mr Lilley joined the Hague camp. His list of backers was – by the standards of Tory MPs – was the most impressive.

Yet, on the eve of the second round on Tuesday, Mr Hague made his most serious slip of the campaign. Addressing Tory MPs at a bustings event for the three remaining candidates, he came over as "chilling", "intemperate" and "triumphalist" by warning that they had to toe the line on the eingle currency if they wanted a place in his team.

His attempt at a Blairite assertion of autbority had many fuming, especially as Mr Hague had moved the goalposts on the issue several times: from support of "wait and see", to ruling out membership over the lifetime of this parliament, to ruling it out for 40 years, to going into the next election on a pledge not to join.

This, it transpired, allowed Mr Clarke back in. It was not Mr Hague's only mistake. His campaign was almost still-born when be agreed to become number two to Mr Howard, only to change his mind the following morning, and he gave a speech attacking the "fudge" of the Major years which antagonised some loyalists.

Yet these paled into insignificance with the Clarke-Redwood machinations earlier this week. After all, with an electorate as small as 164, this result was only ever going to be determined by two dozen or so voters. With all signs pointing to a cliffhanger, Mr Hague sent a circular to all MPs pleading for their vote yesterday, enclosing copies of newspaper commentaries supporting his case. Those who mattered, in the end, were so infuriated with that deal that they were prepared to give Mr Hague the benefit of their doubt.

# Big hitter opts for life on the backbenches

**By George Parker, Political Correspondent**

Mr Kenneth Clarke's 26-year career on the front line of British politics drew to a close yesterday shortly after 6pm in the driving rain outside Conservative Central Office. In a typically blunt statement, Mr Clarke announced be would not serve in Mr William Hague's shadow cabinet. "I have retained my enthusiasm for politics, hut I am afraid it might wear off," be said.

A long spell in the cold of opposition beld little attraction to a man who had been at the hot centre of British politics throughout the Thatcher years.

Mr Hague's assertion that be would expect members of his shadow cabinet to rule out Britain's membership of a single currency for up to 40 years was hardly intended to persuade Mr Clarke to stay.

The former chancellor had already made up his mind to return to the backbenches if he lost. Mr Hague yesterday said that be "regretted" Mr Clarke's decision.

The Tory party must now start to rebuild itself in opposition without the active involvement of many of the key players in Mr John Major's government.

Mr Major and Mr Michael Heseltine have signalled their intention to return to the backbenches. Mr Malcolm Rifkind, former foreign secretary, lost his seat et the election. Among the holders of the great offices of state in the Major cabinet, only Mr Michael Howard, former home secretary, survives.

In many respects, Mr Clarke's disappearance from the fray will cause the greatest regrets at Westminster. Many MPs on his own side despised his dogged devotion to the European cause, hut were happy to cheer him on as he laid into Labour. Labour MPs saw him as one of them. He talked football, swilled beer in Westminster's Strangers' Bar – dubbed the Kremlin because of its leftish clientele – and made trouble for Mr Major.

Mr Clarke's bulky figure, suede shoes and pungent cigar smoke were features throughout the Tory years. He started with a junior ministerial job at the transport ministry in 1979. Before that be served an apprenticeship in the whips' office in the Heath government.

In spite of his undisguised enthusiasm for Europe, Baroness Thatcher quickly discovered his value as a heavyweight henchman.

His spell as health secretary saw him take on the public service unions, including the ambulance drivers – whom he dubbed "glorified taxi drivers". At education he pushed through school reforms.

Mr Major made him bome secretary in 1992. Bnt his finest hour came as chancellor. A healthy economy is his legacy – an inheritance of more immediate benefit to Mr Blair than to Mr Hague. Mr Clarke would enjoy that irony.

# A historic victory which few companies would relish

## McDonald's suffers PR 'disaster' of own making

Mr Paul Preston, the president of McDonald'e UK, cut an uncomfortable figure at a press conference after yesterday's High Court judgment. In theory he was acclaiming a legal victory in the company's libel action against two green ectivists. In practice, be was struggling to defend a public relations disaster of the company's own making.

McDonald's spent two and a half years in court suing Mrs Helen Steel and Mr David Morris over criticisms made in leaflets handed out on street corners. The case, which lasted 313 days, the longest trial in the English courte, tied down McDonald's management and cost it about £10m in legal fees.

Although largely vindicated by the jndgment, the exercise is widely viewed as having backfired spectacularly. The case attracted worldwide adverse publicity, presented as a "David and Goliatb" etruggle with McDonald's using the big stick of litigation against two people who, denied legal aid, had to defend themselves in court.

Tbe original allegations bave received far wider exposure – notably through a web site on the internet but also through international press coverage, television, and a book.

Among public relations professionals, there is a view that McDonald'e has comprehensively shot itself in the foot. Mr Simon Brocklebank-Fowler, managing director of Citygate Corporata, said: "McDonald's has scored one of the most extended own goals in the recent history of public relations.

"The vast majority of consumers would not have heard about the range of criticisms to wbich McDonald's has been exposed had they shut up and not said anything."

Mr Preston denied that the trial had been a public relations disaster or that the "David and Goliath" image would damage the company.

"The sympathy of the public will lie with the truth. That is more important than big or small," he said.

He restated the position McDonald's has adopted throughout – that the allegations were a serious threat to the brand and action had to be taken. "We brought this case to protect a reputation trusted by millions of customers every day. Very serious allegations were made about our company. They were proved to be false."

A senior McDonald's executive insisted tha brand was under such threat that company had no choice but to act. The decision had also been taken against a background of incidents such as the firebombing of one McDonald'e restaurant in the UK which led to fears for staff safety, he said.

He added: "I won't work for a company that did the things alleged. McDonald's is not perfect. We make mistakes but nobody in the company gets up in the morning thinking how can I be evil? You can't build a successful business like that."

For Mr Brocklebank-Fowler, the key error made by McDonald's was to mistaka tha culture in which the UK subsidiary operates and attempt to apply the US solution of litigation.

"McDonald'a have mistaken the consumer and cultural context in the UK. Litigation is seen in the US as part of the every day corporate armoury. In Europe we have not got there yet. Litigation is used less often than in the US, particularly against peopla. It is a last resort."

The result has been for McDonald'e to appear a "monolitb" acting in an inappropriate fashion, he said.

The strength of the McDonald's brand is such that the company will recover, be said. However, the case, like that of Shell over the Brent Spar episode when it reversed its decision to dump the oil installation in the North Sea, shows that large companies can make misjudgments about public perceptions of them.

"Big companies often think that being right is a defence in the public eye. Being right is not always a defence – as Shell found out," he said.

Libel lawyers tend to the same view, arguing that the decision to resort to litigation to defend a perceived threat to the integrity of the McDonald's brand was misconceived. Ms Sarah Webb, a libel specialist with law firm Russell Jones and Walker, said: "McDonald's could have put this case on one side on the grounds that the criticisms were insignificant. Even if they were completely successful, in these circumstances there will always be residual sympathy for the little guys. It is very unusual for a company to sue individuals. It is a risky strategy."

She accepted that a Court of Appeal ruling allowing the two defendants great latitude in questioning witnesses posed problems for McDonald's in court and lengthened the trial. However the company should still have realised how the trial would develop and leave its record exposed.

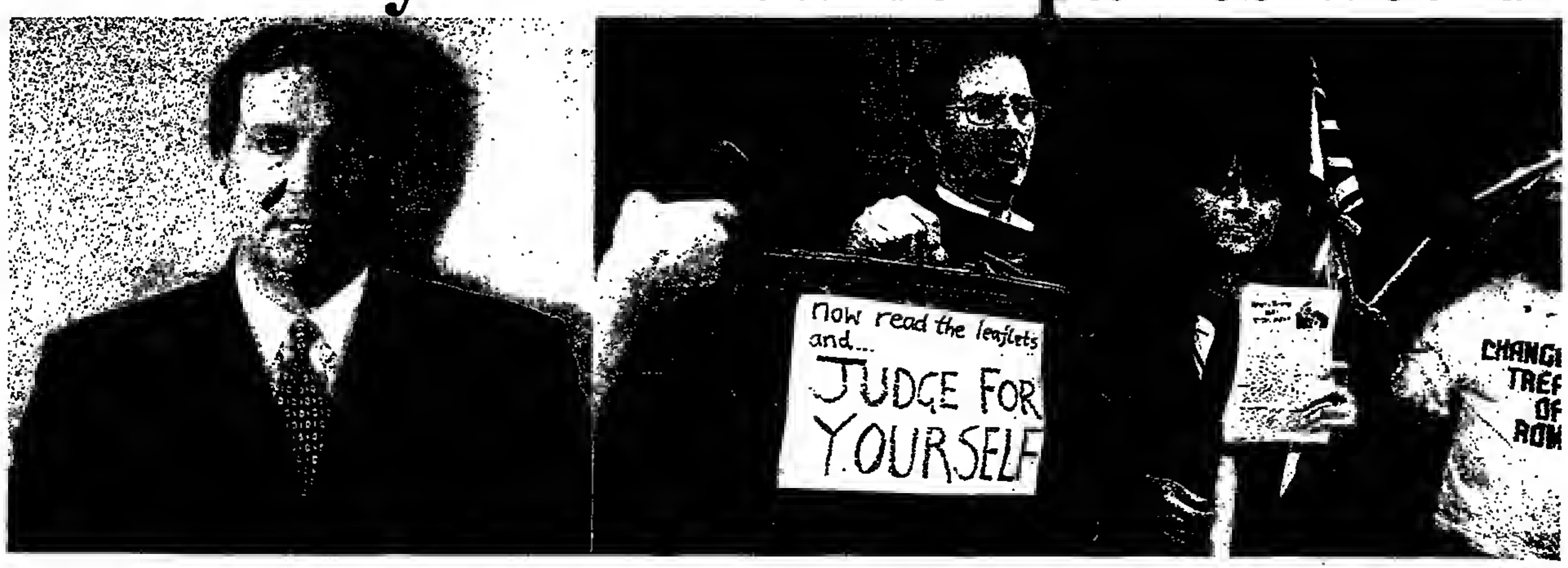
One of the company'e biggest errors was to underestimate the tenacity of its opponente, ehe said. "They thought these defendants would give up the ghost. They did not think they would meet two people so committed to the cause."

Mr Tim Hardy of law firm Cameron McKenna said that in spite of the legal victory the trial has been a "disaster" for McDonald's.

The decision to bring libel proceedings had spawned a huge campaign against the company with the creation of the "McSpotlight" internet site. The site, which included the original leaflet and transcripts of the court proceedings, was particularly damaging, he said. This has left the company with a problem since any attempt to sue over an internet publication would be fraught with immense legal hurdles.

McDonald's has a history of robust litigation but getting involved in this kind of litigation was a bad mistake. He said: "Faced with a similar dilemma, I advise my clients to spend their money on a Porsche as they will get far more satisfaction from it than they ever will ont of a libel action."

**John Mason**




Brendan Corr

Small fry against fast-food giant: Paul Preston, president of McDonald's UK, left, and defendants Helen Steel and David Morris leaving the High Court yesterday after the 313-day trial

## Judge dismisses bulk of beef but backs animal cruelty and advert claims

The judgment in the McDonald's libel trial was generally a legal victory for the US fast-food chain and its UK subsidiary with the judge finding that the bulk of the allegations about their business practices were unjustified and untrue, John Mason writes.

However the companies lost on a number of points, with Mr Justice Bell ruling they were cruel to animals, exploited children in their advertising and their food could cause heart disease if eaten very frequently over a long period. He also ruled the UK company sometimes applied unfair pressure on young staff.

The allegations made in the leaflet accused McDonald's of being responsible for starvation in the Third World, destroying vast areas of Central American rainforest, serving unhealthy food with a very real risk of cancer and heart disease, lying about its use of recycled paper, exploiting children in its advertising, cruelty to animals and treating its employees badly.

On starvation in the third world, the judge ruled there was no evidence to support the allegation that McDonald's had contributed to this by buying large tracts of land and evicting farmers. The allegation that the company had destroyed rainforest, inclnding through the use of lethal poisons, was also untrue. The claims that McDonald's food was "very unhealthy" were not justified except when adverts "pretended to a positive nutritional benefit which McDonald's food, high in fat and saturated fat and animal prodncts and sodium, and at one time low in fibre, did not match", he said.

A small number of customers who ate McDonald's several times a week thronghout their lives, encouraged by the companies' advertising, were at risk of heart disease, he said. The untrue claims over third world starvation, the rain forests and the bealth risks of the food were "particularly damaging", he said.

McDonald's claims over its use of recycled paper were not untrue, he said. The judge ruled against McDonald's over its advertising to children.

McDonald's also lost over its rearing and elaughter of some animals, notably chickens. The judge said the allegation that McDonald's knowingly sells food which exposes customers to the risk of food poisoning was unjustified.

On employment practices, the judge broadly ruled in favour of McDonald's, that the claim that McDonald's UK paid low wages and so helped depress wages in the catering trade was justified but the claims it sought to exploit disadvantaged groups, women and black people and provided bad working conditions were not.

Interest rates could rise sharply over 12 months, predict economists

# Lending levels fuel inflation fears

By Wolfgang Münchau in London

Lending by banks to private individuals and companies soared to new heights in May, prompting alarm that interest rates could rise sharply over the next year.

Lending more than doubled from £4.4bn to £9.2bn in May, according figures from the Bank of England, the central bank, compared with market expectations of about £5.5bn. The figures came out a day after the Office for National Statistics reported that shop sales during May expanded at the strongest level since 1988.

Worries about an overheating economy – driven largely by excessive consumer credit – were compounded by yesterday's release of M4, a measure of broad money. In May, M4 expanded by a monthly 1.3 per cent and a year-on-year 11.1 per cent, after 10.2 per cent in April. The expansion is well above the Bank of England's monitoring range of 3 per cent to 9 per cent.

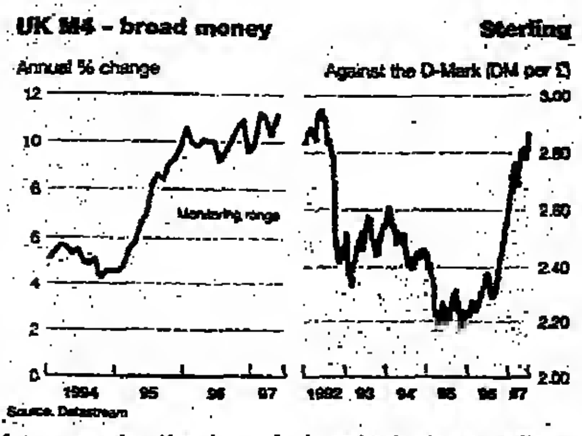
Separate figures by the British Bankers Association show that lending by large British banks to the private sector rose by £3.53bn in May after an increase of £1.19bn in April. Last month's increase was significantly ahead of the six-month average of £2.6bn.

The Bank of England's policy-setting monetary committee is likely to view the strong and rising expansion of M4 and the lending figures as a signal of resurgent inflation in the mid-term.

Mr Tim Sweeney, director general of the BBA, said: "Whilst mortgage lending remained buoyant, it was the rise in consumer credit of approaching £600m that is particularly eye-catching. This was around double the figure a year earlier and some 40 per cent above the recent monthly average."

Mr Richard Jeffrey, group economist of Charterhouse, said the economy may be "on the verge of overheating that needs controlling action to be taken. I think we should see a half-point increase in base rates at the next meeting and I don't think that can be the end of the tightening in monetary policy this year."

That view was broadly shared by other City economists. Mr Richard Iley at ABN-Amro said: "The Bank of England's concerns about the pace of M4 growth are well documented. In particular, the Bank views the pace of M4 growth as presaging a future acceleration in real domestic demand. While the relationship between the two is at best unclear, the Bank is unlikely to be deterred in seeing the need for higher rates."



Source: Datastream

● Demand for UK manufactured goods improved to June with a slight recovery in order books, according to the latest industrial trends survey by the Confederation of British Industry, the principal employers' organisation. About 24 per cent of companies reported below-average order book levels, compared with 21 per cent with above-average levels.

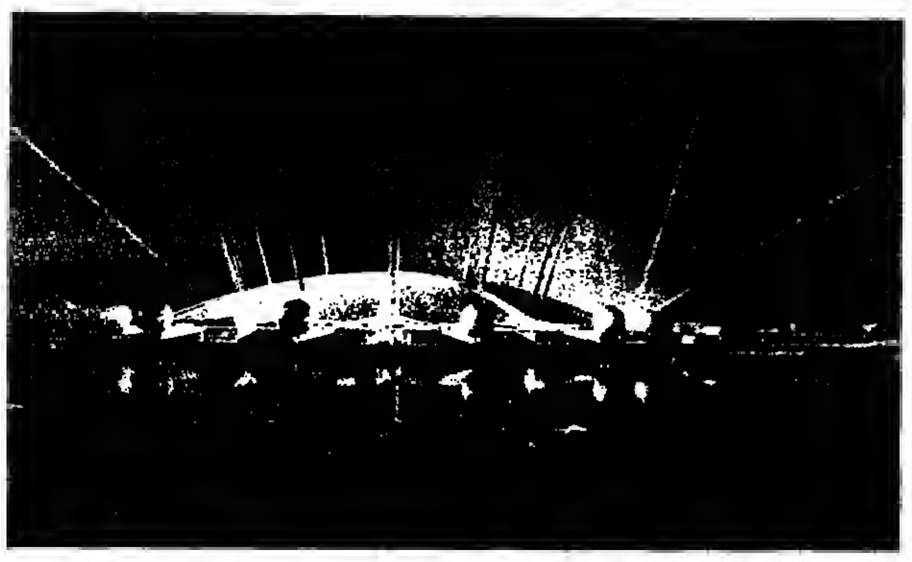


Image copyright Hayes Davidson

A computerised impression of the dome, now being built on the south London riverside

# Blair takes gamble on $945m millennium show

By James Blitz and Robert Peston in London

Mr Tony Blair, the prime minister, yesterday staked his personal reputation on the success of the planned £580m ($945.4m) millennium exhibition in Greenwich, south-east London, by resisting ministerial pressure for the scheme to be scrapped.

In what some of the prime minister's colleagues are calling his first big gamble since entering Downing Street, Mr Blair defied scepticism from politicians and the media over the viability of the show and insisted it should take place.

Ending two years of tortuous speculation over whether the Greenwich skyline would ever be reshaped by a mammoth millennium dome, Mr Blair told his cabinet that the dawn of the year 2000 would be "a hugely important moment in history" and that the event was "an excellent idea".

As the cabinet meeting broke up, a prime ministerial spokesman said Mr Blair had told colleagues that "there were times when political leaders have to follow their instincts" and that the decision over whether to back the exhibition was one of them.

Once Mr Blair had announced his backing, there was no dissent. It is understood that Mr John Prescott, the deputy prime minister, and Mr Gordon Brown, the chancellor, immediately backed the plan, but Mr Chris Smith, the national heritage secretary, was cautious. Mr Blair was quick to identify with the exhibition's fate by visiting the site of the dome. As he did so, Lord Rogers, a good friend of Mr Blair's and architect of the dome, described his decision as "courageous and visionary".

Back in Whitehall, Mr Blair's cabinet colleagues expressed astonishment that he was giving the green light to an exhibition which has considerable financial risks and, as yet, no central theme.

"Tony is a buccaneer and he loves to take a risk," said one cabinet minister. "But this is about as risky as any decision he will ever take."

Mr Blair's decision flies in the face of a sustained "dump the dome" campaign by some of Britain's tabloid newspapers and many Labour MPs.

The move will infuriate dozens of out-of-London Labour MPs who had wanted the project transferred to another UK city.

# Chancellor lifts expectations of higher taxation

By David Wighton and Wolfgang Münchau in London

Mr Gordon Brown, the chancellor of the exchequer, yesterday fuelled expectations of a tax-raising Budget next month by increasing the forecasts for government borrowing by £20bn ($32.6bn) over the next five years.

The revised projections were backed by the independent National Audit Office which said they were based on "deliberately cautious" new economic assumptions.

But City economists criticised the move and opposition parties accused Mr Brown of "cooking the Budget books" in order to justify higher taxes.

Mr Kenneth Clarke, chancellor of the former Conservative government, said Mr Brown had used deliberately pessimistic assumptions in a "blatant attempt to fiddle the figures".

"We have always warned that Mr Brown would look for a spurious excuse to break his promises on tax and spending. That is the sole purpose behind the Labour government's creative accounting."

Compared with the previous government's projections, Mr Brown's new assumptions include lower economic growth and higher interest rates. Mr Brown has also ignored the advice of the Commons Treasury select committee by assuming that unemployment will stay at current levels rather than continuing to decline.

The combined effect is to increase projections for government borrowing by £½bn in the current financial year, £3½bn next year, £4bn in 1999-2000, £5½m in 2000-2001 and £7bn in 2001-02.

Mr Brown said that the independent backing from the audit office would "restore public trust in the public finances".

The audit office, which was asked to look at the new figures last month, said the new assumptions were systematic and reasonable. Stressing that the assumptions should not be seen as forecasts, the audit office pointed out that the unemployment assumption is high compared with independent predictions.

But Mr Richard Jeffrey, group economist at Charterhouse, the investment bank, criticised the new assumptions as inconsistent. Another senior City economist said the changed forecasts were designed to help Mr Brown increase the pressure on spending ministers.

Mr Malcolm Bruce, the Liberal Democrat's economic spokesman accused Mr Brown of changing the assumptions to suit political ends and of "abusing the independence" of the NAO.

He said that rather than reviewing the previous government's figures the audit office had been used "just to rubber-stamp Gordon Brown's own assumptions".

Mr Brown's other changes were to strip out projected privatisation proceeds and reducing the forecast savings from a crack down on fraud and tax evasion.

# Financial watchdog calls for certified web sites

By George Graham in London

The Securities and Investments Board, the UK's main financial services regulator, is urging its foreign counterparts to consider establishing some form of "regulatory kitemark" for financial service pages on the internet.

The kitemark is a logo adopted by the British Standards Institution which signals that a product complies with certain standards.

Mr Andrew Winckler, SIB chief executive, said some form of encrypted kitemark, coupled with agreed disclaimers and warnings, would provide investors and financial services companies with a degree of certainty that a website complied with regulatory standards.

His suggestion was contained in a foreword to a report on the internet and financial services, produced by the Centre for the Study of Financial Innovation, a London-based think tank.

While pointing to regulatory problems thrown up by the international nature of the internet, the report argues it should not be seen as "an unregulated anarchic network that financial institutions should avoid".

Ms Heather Rowe, a lawyer with the firm Lovell White Durrant and chairman of the CSFI working party on regulation, argued yesterday that most banks and financial services companies already complied with regulations on their websites.

But because web sites are accessible all over the world, anyone opening a site ought in theory to comply with every national law, or risk an enforcement action.

"Legislative amendment is necessary to ensure that reputable overseas firms are not put at risk of inadvertently breaching UK law when setting up web sites targeted at their home jurisdiction simply because they are unable to prevent access to their sites from the UK," the report says.

It says the internet clearly has the potential to revolutionise financial services by stimulating competition, removing geographical constraints and creating greater transparency "in an industry which is notorious for its ability to obfuscate value".

That could threaten financial services providers by reducing customer loyalty.

"One thing the internet does is allow you to shop around very freely. You will get a shift to what we call the 'free range client'," said Mr David Lascelles, CSFI co-director and editor of the report.

## UK NEWS DIGEST

# Homes sell 'in less than week'

A severe shortage of properties for sale means that almost one in five homes is selling in less than a week, according to Black Horse, one of the country's largest estate agencies.

The agency, part of the Lloyds TSB banking group, said the shortage of homes for sale was the most severe for two years. Leaders of building societies – mutually-owned home loans and saving institutions – however, yesterday cautioned Mr Gordon Brown, the chancellor of the exchequer, not to cut mortgage tax relief in next month's Budget.

Mr Adrian Coles, director-general of the Building Societies Association, said there was "no indication that the housing market is entering boom conditions". This was particularly true in the English Midlands and northern Britain where the recovery had been much more sluggish.

"With the recovery in the housing market still at a delicate stage any reduction or abolition of mortgage interest tax relief could have a detrimental impact," he said.

Net mortgage advances by building societies rose by more than 70 per cent last month to £1.3bn ($2.11bn) compared with £753m in April. New mortgage approvals rose from £3.38bn to £3.67bn. *Andrew Taylor, London*

■ LONDON TRANSPORT

## Government help still sought

London Transport, which runs the capital's familiar red buses and the London Underground rail network, increased its operating surplus by 30 per cent last year but still wants the government to provide a short-term injection of funds to fill the gap left by cuts made in the last Budget of the previous Conservative government.

The government is looking at a range of options including allowing the private sector to take a majority stake in the business – "some would involve a change in the Treasury rules," Mr Ford said.

They include allowing the Tube [the Underground] to borrow money, changing the rules of the private finance initiative and allocating taxes to boost the underground network. In the past, LT has seen its financial allocation cut at short notice. In the last Budget, the Conservative government cut £700m ($1,141m) from its funding over the following three years. *Charles Batchelor, London*

■ RESEARCH & DEVELOPMENT

## Dividends 'not inhibiting factor'

Companies which pay dividends are more likely to invest in research and development than those that do not pay dividends, a new analysis by academics states.

The analysis, sponsored by the National Association of Pension Funds, concludes that UK companies do not sacrifice growth opportunities through excessive dividend payments. The report concludes that there is no direct relationship between dividend payout ratios and investment in R&D.

"The findings should help demolish the myth that high dividends are paid at the expense of investment in R&D," said Ms Ann Robinson, director general of the NAPF. Publication of the analysis by academics at the City University Business School comes as the government is thought to be considering abolishing the 20 per cent tax credit on dividend payments. *William Lewis, London*

■ DEVOLUTION

## Economists support 'tartan tax'

The so-called tartan tax – the power of a future Scottish parliament to levy a surcharge on income tax – could produce beneficial effects on the Scottish economy, economists in Glasgow believe.

They argue that provided employees in Scotland did not recover most of the income tax surcharge in higher pay, the additional expenditure it made possible would lead to greater demand for goods and services, and higher employment, and would not lead to emigration.

Mr Peter McGregor and three other economists at Strathclyde University say that even if the tax had a negative effect, this would be relatively small and spread over a long period. The tax would not yield more than £450m ($733.50m) compared with Scotland's grant from the Treasury of about £14.5bn.

People in Scotland will vote, probably in September, on whether they want a Scottish parliament and whether it should have the power to "vary" income tax in Scotland by 3p in the pound. *James Buxton, Edinburgh*

# Virgin poaches label executive

By Alice Rawsthorn in London

Virgin Records, the Spice Girls' record company, has poached Mr Hugh Goldsmith, a senior executive at BMG, one of its arch-rivals, to launch a new record label.

Mr Goldsmith, 35, has been given carte blanche to develop the new label, which is as yet unnamed. Its roster of artists is expected to reflect the style of the pop acts he worked with at BMG, such as Take That and Robson & Jerome.

His appointment forms part of a restructuring of the senior management at Virgin, a subsidiary of the EMI Group, following last month's announcement that Mr Ken Berry, its worldwide president, was taking charge of all EMI's record companies.

Mr Paul Conroy, 48, managing director of Virgin Records (UK), is to become president of the company. His former deputies, Mr Ray Cooper, 48, and Mr Ashley Newton, 40, are taking over as joint managing directors.

Virgin Records has changed dramatically since 1992, when it was sold by Mr Richard Branson, its founder, to EMI for £510m.

Mr Conroy was hired to revitalise Virgin's UK record business and under his stewardship the label has released a series of best-sellers such as George Michael.

The most spectacular success has been the Spice Girls, whose debut album has sold more than 11.5m copies worldwide.

Virgin's share of the UK music market rose to 10.9 per cent in its last financial year, from 8.5 per cent the previous year. Its strong performance has bolstered EMI at a time when the group's other record companies have faltered.

EMI job cuts, Page 21

# America Online starts 'all you can eat' deal

By Nicholas Denton in London

America Online, the internet service provider overwhelmed by demand after it introduced unlimited access in December in the US, is offering a similar "all you can eat" package to UK users.

AOL UK, part of the European joint venture between America Online and Bertelsmann of Germany, said yesterday it would allow new and existing subscribers to sign up for a flat fee of £16.95 ($27.54) a month.

The launch of the new marketing campaign came as AOL acknowledged that it had suffered a four-hour closure of its electronic mail service on Wednesday, the second such "outage" in a fortnight.

When AOL, the world's largest online service with over 8m members, launched a pricing plan of $19.95 a month in the US last year it attracted about 1m new users and lengthened the average session from 15 to 30 minutes. Congestion caused by the unexpected increase in traffic made dial-up connections to the service less reliable. The group was forced to take a $24m charge to cover customer refunds.

However, AOL does not expect a repeat of its difficulties. "In the US, they had no way of knowing that usage would double," said Mr Jonathan Bulkeley, managing director of AOL UK. "We have had the luxury of being able to watch the US."

AOL, which has reached 200,000 subscribers in the UK, said it had installed enough modems – the computer equipment which stands between the telephone and data networks – to cope with a doubling of traffic in the UK.

Moreover, UK local telephone call charges inhibit usage. In the US, where local calls from home lines are free, unlimited access plans led some users, particularly those playing online games, to stay hooked up for days.

Online services such as AOL and CompuServe, which provide their own exclusive content in addition to giving access to the internet, have typically charged for time spent online. AOL's standard package has been available for £5.95 a month for up to five hours and £1.85 for each additional hour.

But AOL has now moved in line with internet service providers such as UUNet Pipex and Demon Internet, which have attracted customers with a flat-rate fee. "It means that most people don't have to worry about the online clock ticking," said Mr Bulkeley.

AOL, and other online services such as Microsoft's MSN, are aiming to stimulate traffic, increase revenue from advertising and retailing, and reduce their dependence on access charges.

# Car parts group in bid to cut health bill

By John Griffiths and Nicholas Timmins in London

Unipart, best known as a "just-in-time" motor parts maker and distributor, is launching a joint initiative with the government's Buying Agency (TBA) aimed at cutting hundreds of millions of pounds from the NHS's £4.4bn ($7.17bn) a year supplies bill.

Unipart has formed a new company with TBA, Surestock Health Services. It is intended to be a "one-stop-shop" linking the diversified purchasing operations of the country's 450 NHS trusts with the huge variety of suppliers which provide everything from syringes and swabs to scanners and property maintenance services.

Surestock said yesterday it would work with NHS Supplies, the much-criticised NHS purchasing and supply body with which 98 per cent of trusts place some or all of their business. But NHS Supplies said it saw the new company as a rival.

A report last year by the Audit Commission, the public sector spending watchdog, said the NHS could save £150m over three years by a "root and branch" reorganisation of its supplies, which account for about a quarter of trusts' expenditure. It added that the service would benefit from greater competition among suppliers, and that some trust managers were worried about the lack of transparency and reasonableness of NHS Supplies' charges.

Surestock yesterday refused to put formal estimates on potential savings, but executives said they would be "disappointed" if at least 2 per cent a year could not be achieved – about £100m annually if all 450 trusts participated. However, this is understood to be a conservative estimate, with the the long-term potential figure believed to be four or five times this level.

Surestock is 100 per cent owned by Unipart, whose former director of business development, Mr Peter Thompson, becomes chief executive.

## MANAGEMENT

Engineering leaders

Propped up in the beadquarters' foyer of Claas, Europe's biggest maker of combine harvesters, is an old bicycle. The bike, wbicb belonged to August Claas, the farmer's son who started the business in 1913, is a symbol for staff and visitors to the northern German company of long-standing family ownership.

In a quiet corner of the English midlands is another such symbol – in this case of the family origins of JCB, Europe's biggest construction equipment supplier. A life-sized replica of the garage where Joe Bamford started the business in 1945 stands close to the company's giant factory.

# Valuable family heirlooms

**Peter Marsh** visits Claas and JCB to conclude his series on ingredients for success in middle-sized engineering companies in Germany and the UK

Both companies illustrate the way in which continuity provided by long-standing family ownership – plus relative freedom from short-term shareholder pressures – can be important ingredients for success. Thesa ingredients were also noted by others among the 20 middle-sized German and UK engineering companies studied in this series.

Both Claas and JCB have a second-generation family member at the helm – although in the case of Claas, Helmut Claas, son of the founder, retired two years ago from day-to-day management and now heads the company's supervisory board.

The companies have other similarities. Both are based in rural parts of their respective countries, away from the main industrial centres. They are a similar size, with annual sales of $830m (£512.3m) for Claas and $1.2bn for JCB, and in each case exports account for about two-thirds of turnover. Between them they employ 8,000 people. Each bas built a management culture that focuses on product excellence and close links with customers.

Eckart Kottkamp, Claas chief executive, joined the company last year from Jungheinrich, the big German lift-truckmaker. He believes it is the company's private ownership which has enabled it to plan long-term for new products.

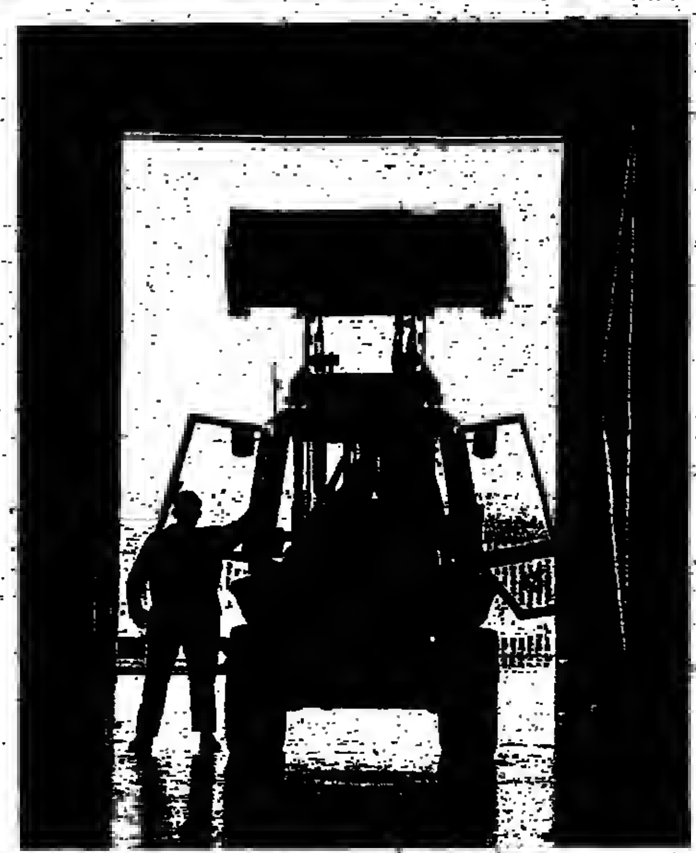
He cites as an example the family of Lexion combines, unveiled a year ago, with a development price tag of $35m. The machines use novel electronic systems to measure crop growth, adjusting cutting mechanisms accordingly. A publicly quoted company, continually looking to provide quick returns to shareholders, might have found such a project too risky, says Kottkamp.

Claas takes another chance next year, with the launch of a $200,000 vehicle called the Xerion. This will be marketed as a uniquely flexible machine capable of working on a variety of farming jobs, including crop spraying and spreading fertiliser – while also travelling at up to 40kmph.

Sir Anthony Bamford (left), Eckart Kottkamp and Helmut Claas

At JCB, Joe's son, Sir Anthony Bamford, is chairman and managing director. He argues that outside shareholders would never have permitted JCB's long preoccupation with building up sales in the US. It took 13 years for the company to make a profit there, but the US now accounts for 25 per cent of sales.

He also says he can spend his time thinking about new products, rather than than having to worry about share prices and fronting meetings with shareholders and investment analysts. "We can be single-minded and focused on the business."



JCB has a second-generation family member at the helm

Sir Anthony believes this emphasis on product development has paid off. JCB's product range has more than tripled in the past seven years to 85 basic families. They range from big earth movers to various types of "mini" construction machines and what is claimed to be the world's fastest tractor. The new machines now account for about $300m a year of sales.

There is a downside, it is often argued, to family ownersbip. Many such companies are criticised for being too inward-looking and failing to do enough to bring in new people, especially to top management positions.

Helmut Claas, now 70, beaded Claas for 40 years. He admits he found it hard to step down from his full-time executive position: "I had some concern about how it would work out without me."

But he seems to have found a way of co-operating with Kottkamp, his successor. Claas still visits the office most days in order to keep in touch and give advice when needed – fitting this in with running his farm in East Anglia. With someone else at the helm, Claas says the company is "running from success to success". Kottkamp says of Helmut: "He does not interfere, thougb naturally he has his opinions."

At JCB, Sir Anthony, who is 51, says he has given a lot of thought to who will ultimately succeed him. He has built up a top management layer of about 15 people who could run the company without him, he believes. One of the key people is Martin Coyne, the chief executive, a long-standing JCB manager who is responsible for much of the day-to-day decisions. "If anything happened to me there are two or three people who are damned good and would have no troubla taking over," says Sir Anthony.

*Articles in this series appeared on May 19, May 23, May 30, June 6, and June 13.*

# A blend of east and west

Sony is moving towards a US-style board structure, reports **William Dawkins**

The peculiarity of Japanese corporate governance is clearly illustrated by the difference between Japanese and US board structures.

A typical Japanese board has up to 50 members, all drawn from inside the company, with no sharebolder representation, and focuses on operational management. A typical US board, by contrast, is made up of abont a dozen members, a majority of wbom may he external directors, and who focus on broad strategy and defend the interests of shareholders.

They are different for good reasons. Japan's bottom-up management and the relatively low priority accorded to ontsider shareholders is well attuned to its tradition of consensus decision-making. The US top-down management, with its acute sensitivity to shareholders' rights, is better attnned to a free-market economy.

As tbe Japanese economy becomes more open to international market forces, some Japanese companies have started to ask themselves wbether they sbould adjnst management structures accordingly.

The latest is Sony, the consumer electronics group, and Japan's perennial management trend-setter. It will ask sharebolders at its annual meeting next Friday to give their blessing to a unique hybrid of Japanese and US board structures.

Tbe aim, explaine Tsunao Hasbimoto, Sony's vice-chairman, is to sharpen up the group's strategy-setting skills. This is at a time when the company's markets are changing increasingly fast, with the advent of digital technology, increasing competition and economic deregulation.

Sony's plan is to reduce the board from 38 to 10 members and increase the number of outside directors from two to three – possibly rising to six in the future.

At the same time, the board will cease to have responsibility for operations and concentrate solaly on strategy. Operations are to be overseen by a new series of appointments, corporate executive officers, and Sony's 10 existing divisional chiefs.

"It is a small revolution," says Hashimoto. "We need external directors to look at what we do and provide advice from an outside point of view."

Howaver, the real emphasis is on evolution, rather than revolution.

This is not, and never will be, an attempt to transplant US corporate governance wbolesale,

**The aim is to sharpen up the group's strategy-setting skills**

stress Sony executives.

As Nobuyuki Idei, Sony's president, explained to a Japanese newspaper: "It would simply be too shocking to hava someone with little knowledge of our business come in and announce layoffs.

"There is no global standard for management. We must tailor our approach to the situation in Japan."

Accordingly, Sony's external directors ara outsiders with acceptably familiar backgrounds. Tha one foreigner is Peter Peterson, chairman of the Blackstone Group, the US investment bank, who joined the Sony board 10 years ago. The newcomers are Japanese: Kenichi Suematsu, chairman of Sakura Bank – a 3.6 per cent shareholder of Sony – who replaces a retiring external director; and Hideo Ishihara, a former deputy president of the Industrial Bank of Japan who has been chairman of Goldman Sachs' Tokyo office for the past three years. All three are non-executives.

The step-by-step way in which Sony prepared this move is equally indicative of Japanese, rather than US, management style. The process began three years ago, explains Hashimoto, when the group reorganised itself into eight company divisions – a first step towards devolving operational management away from the board.

Inspiration for the move came from US subsidiaries, Sony Pictures Entertainment and Sony Music Entertainment.

"We felt we could take some of their concepts to improve management at Sony itself," he says.

Phase two cama last year when those eight companies were expanded to 10 to take in personal computers and information technology.

Several important functions, including human resources, finance and technology, were handed to a new executive board, separate from the main board.

In this way, the board can now discard its operational responsibilities, safe in the knowledge that they are already being handled at divisional level, explains Hashimoto.

If it works, other Japanese companies which bave been trying out smaller boards and outside directors, such as Mitsubishi Corporation, might be tempted to move further towards US-style governance.

Bnt, as always in Japan, it will be a process of continuous incremental improvament, rather than a management revolution.



## THE PROPERTY MARKET

# Qualified for success

Skill requirements are under review, writes **Mark Suzman**

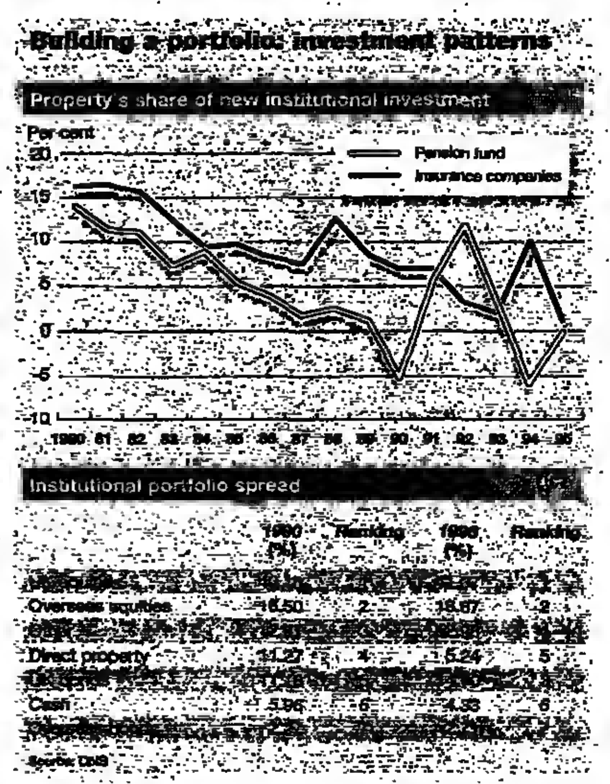
Being a property professional is not what it used to be. Not too long ago, it seemed little more was required than a basic knowledge of property regulations and valuation techniques.

Now a growing number of other skills is needed. In particular, it has bacome increasingly important for practitioners to understand property as an investment class in the context of other investments.

That has been difficult for the industry to come to terms with. Many experts at big firms and institutions are still hard pot to offer advice about tax and regulatory requirements for property, let alone discuss comparisons with investments like equities and gilts.

The Investment Property Forum, a nine-year-old organisation aiming to increase understanding about property as an asset class, argues that this is a serious problem, at a time when real estate is steadily declining in popularity in the eyes of institutional investors.

"It's a very big issue because property is always the poor relation at tha investment table and property people in business often lack tha background to argue their case properly," says Mr Rupert Clarke, bead of project finance at Jones Lang Wootton, the property consultants, and bead of marketing at the IPF.




"The lack of skill is by no means universal, but it is clear that many investment property practitioners cannot talk the languaga of other investment markets and are therefore at some disadvantage."

In contrast to some of the other reasons for property's recent unpopularity with investors, such as its illiquidity and relatively poor long-term performance, it is a deficiency that should be easy to correct.

To that end, the IPF has published two reports on the issue, one examining the educational research role it can undertake for members, and a second outlining the standards and skills required to improve property professionals' understanding of investments.

The first study confirmed tbe perception that some investors no longer feel property advisers can offer the breadth and quality of advice availabla elsewhere. More importantly, it found sobstantial evidence of unmet demand for courses on various aspects of the property investment market.

The second report sets out what types of qualifications sbould be offered. These include changes to property qualifications to incorporate more investment-related issues, as well as programmes for mid-career professionals who want to be brought up to date with the rapidly changing market.

It suggests there are deficiencies in three broad areas – the structure and operation of investment markets, portfolio management techniques and property finance and funding.

The IPF has already commissioned a follow-up to the educational research docnment to look at which institutions are best placed to meet the demands. The skills report is out for consultation with members, and a final version will be mada available to the whole industry this summer. The Royal Institution of Chartered Surveyors and the British Property Federation have voiced support for both studies and the overall objective.

The goal is to create a series of structured education programmes for practitioners, possibly starting as early as the beginning of next year, covering concepts ranging from property risk models to historical performance analysis.

The IPF would probably not fund or operate eucb courses directly – although it would continue its system of lectures and workshops – but Mr Clarke suggests it could help define content and assess the effectiveness of any new courses.

The proposed changes also hava repercussions for the debate over whether property should be regulated like other investments.

At present, direct property does not fall under the Financial Services Act. However, when practitioners offer advice on collective investment schemes, derivatives and other indirect vehicles, they must seek authorisation via either the Investment Management Regulatory Organisation or the Securities and Futures Association.

If the IPF's proposals are implemented, they would give practitioners access to a set of recognisable investment qualifications that demonstrate the requisite tbreshold competency requirements under the act.

But while the initiative is being widaly welcomed by most professionals, there are sceptics. As one senior property fund manager points out, as long as surveyors and property consultants are paid by volume rather than value, it will remain in their interest to push a transaction through rather than give the best investment advice to clients.

"It doesn't really matter if they understand about property performance unless other changes are made as well," he warns.

"Education is a great thing and can only enhance tbe profession, but until institutions start realising they need a very different kind of advice we will not get a new paradigm in real estate investment."

Nevertheless, according to the IPF's best estimates, there is already a potential market of about 3,500 people in the UK wanting to take property investment related courses, with the number set to grow.

And with a range of securitised property vehicles now on the horizon trying to revive institutional interest in tbe sector, eucb programmes should belp to bring property into tbe wider investment arena.

"There is strong demand [for property investment qualifications] and an identifiable solution," saye Mr Clarke. "Better investment education will improve understanding and knowledge of property as an asset class and that can only be good for the sector."

ARTS

# A hothouse of artistic talent

## The west has been making music with the east in Hong Kong, reports Andrew Clark

Academy meets Academy. East faces west. Law Wing-fai confronts Sir Edward Elgar. Of all the cultural events marking tha handover of Hong Kong to Chinese rule on June 30, none has matched the ambition and impact of the Academy Music Festival, combining talents from Hong Kong, China and the UK.

The festival brought together two Academies – the Academy of St Martin in the Fields (ASMF) from London and the Hong Kong Academy for Performing Arts (APA). It began with a week of masterclasses and coaching sessions, in which world-renowned musicians shared their skills with APA students. It ended with public performances of a new Chinese choral and orchestral work, two Elgar concertos and Beethoven's Ninth Symphony. Soloists were brought in from China; the best APA students were integrated into the ASMF. Everyone – including the conductor, Sir Neville Marriner – seemed inspired by the festival's cumulative energy.

This was no ordinary festival. Not only did it help soothe some of the tensions that arise when six million people prepare for a change of sovereignty; unlike most arts events in Hong Kong, it had an educational heart and will be of long-term benefit. It demonstrated, on a one-to-one basis, the standards young Chinese musicians must aspire to. It gave a privileged few their first taste of playing in a professional orchestra. Above all, it proved that Hong Kong is more than just a capitalist beehive. Like China and Japan, Hong Kong has an abundance of raw musical talent, which its primary and secondary schools are only now beginning to tap. If the festival motivates just a handful to pursue a life in music, it will have been worth it.

The two final concerts, attended on consecutive nights by Hong Kong's chief executive-designate Tung Chee-hwa and governor Chris Patten, attracted the most attention – but they were mere icing on the cake. The festival's tastiest bites were to be savoured away from the limelight: ASMF leader Kenneth Sillito warning the APA string orchestra he might throw some surprises during Tchaikovsky's *Serenade*, "hccanse we don't want to sound like a CD"; Nigel Kennedy, soloist in Elgar's Violin Concerto, thrusting his electric fiddle into the hands of an APA student at a late-night jazz session; groups of schoolchildren sounding off at a concert of their own compositions, supervised by the ASMF education unit; and pianist Peter Donohoe telling his masterclass that "there's nothing very interesting about a scale in C major unless you do something with it" – a point that cropped up again and again, as teachers sought to instil style, shape, colour and contrast into playing of immaculate literal fidelity.

In a society obsessed by money, where parents are instinctively resistant to the arts as a career, APA is an extraordinary institution. Opened in 1985 on a prime site overlooking the harbour, it has facilities to make Europe's performing arts academies green with envy: a recital hall, two theatres and a concert hall, all grouped around a large, welcoming atrium and funded by a HK$180m (£14.4m) government subsidy.

Unlike higher education counterparts in the west, where artistic disciplines tend to be compartmentalised, APA's grouping of music, dance, drama, film and technical studies under one roof allows for an integrated approach: a recent production of *Petrushka*, for example, drew on the services of all five faculties. And APA is unique in according equal importance to Chinese and western music. With 200 students, the mosic faculty is the largest, sending more than 40 graduates into the community each year. Their influence, filtering down to the roots of the educational system, can already be gauged by the rising standard at auditions, and there are now far more applicants than places.

Thanks to these foundations and its annual crop of star performers, APA has been dubbed "Hong Kong's talent hothouse" – but, as the Academy Music Festival illustrated, it is a hothouse with windows on the world. It encourages tha most talented prodigies to study in Europe and the US. It offers places to students from mainland China, who get materials and international connections lacking at home. And it plays a vital role in Hong Kong's booming cultural calendar. APA's public concerts at Government House, part of Patten's open-door policy, have been a runaway success – a precedent his successor has pledged to uphold.

It would have been easy to turn the festival into a politically-charged end-of-empire jamboree. That would have missed the point. Thanks to the vision of APA dean of music Anthony Camden, it became a forward-looking educational event. Camden, a former chairman and principal oboe of the London Symphony Orchestra, wrota to the Hong Kong government soon after his appointment four years ago, suggesting a cultural celebration as part of tha handover. He ended up with a HK$7m budget – enough to invite a flagship orchestra and commission a new work linking European and oriental cultures.

Not everything went according to plan. Despite its exotic solo writing for four Chinese instruments, the commissioned work – by Law Wing-fai, one of Hong Kong's leading Chinese composers – turned out to be more a hybrid *pièce d'occasion* than a viable addition to the repertory. And the promised chorus from China never materialised, reflecting Beijing's paranoia about a rush of immigrants into Hong Kong during the handover period.

Trying to integrate 30 students into a high-profile orchestra was equally fraught with uncertainty. Marriner took the whole project on trust, insisting on plenty of rehearsal and relying on his musicians to make it work. Any apprehension within the ASMF quickly lifted as the advance party got to know their local counterparts. The day before the first concert, everything began to gel. Kennedy had his rehearsal audience in stitches, striking up with *Rule Britannia* and quipping that "We've changed our minds, we're keeping it [Hong Kong]": on the night, his performance could not have been more intense or committed. The chorus, an amalgam of the ASMF chorus and locals, handled the Mandarin text of Law Wing-fai's *When Mountains Roar* no less commandingly than the *Ode to Joy*.

By the final evening, there was a real sense of occasion – and everyone rose to it. The concerts had been sold out weeks beforehand, and no one went away disappointed. Backstage, the post-concert atmosphere mixed euphoria with sadness. It was time for the two Academies to part, closing what will surely be looked on with hindsight as a seminal chapter in Hong Kong's musical development.

Abigail Cruttenden and Adam Godley in Anthony Clark's faultlessly sympathetic production of 'The Wood Demon' Alastair Muir

Theatre

# Horror in the family

Wily, conniving Engstrand says, "You ought to have a father's guiding hand". He wants his daughter Regine to leave Mrs Alving's home on the Norwegian coast to help him run a dubious sailors' home in town, but from the way she shrinks in horror at his touch it is clear that his wandering hand is far from paternal.

I have never seen a production of Ibsen's great family drama that plays that dramatic line so strongly, but it makes perfect sense in Mike Alfreds's powerful production for Method and Madness. The tale of Fru Alving and the return of her prodigal son Osvald is completely bound up in the sins of the father; Engstrand's dangerous game mirrors the central tragedy, and Alfreds knows that Ibsen does not deal in sub-plots. The action of the play is of a noose being tied ever tighter around the five interlocked characters and the dramatic stakes climb ever higher as veil after veil of lies are torn away to reveal shocking truths.

A litany of deceit and drunkenness, desire and disease, in 1997 it is strong stuff. In 1881, no Scandinavian theatre would touch it. Despite its astonishing pre-echoes of Aids, not to mention the hot topic of "good" parenting, Alfreds wisely ignores the temptation to update the play. That would remove the repressive circumstances which dictate Fru Alving's painful silence about her deceased husband's behaviour.

On Paul Dart's cool, blue conservatory set, the manners and demeanour of the fine cast tell you everything about a society which relies on reputation. With his deep-throated purr of self-satisfaction, Terence Wilton as Pastor Manders is a picture of smug, sober-suited sanctimony but reveals his shallowness as he caves in to Chris Crooks's cunningly convincing Engstrand. Penny Layden's tight-lipped Regine is similarly carefully played, her eyes, forever on the main chance, brimming with tears as her dreams dissolve. Fergus O'Donnell looks rightly ill-at-ease as the doomed Osvald, a stranger in the home which he rejects and needs in equal measure.

As Anthony Page's recent revival of *A Doll's House* proved, Ibsen's sense of claustrophobia *can* create electrifying drama. Here, the layered approach lacks that incandescent theatricality, but the bolt of lightning that shoots through the audience at the terrifying climax proves the virtues of the inexorable slow burn. Torn apart by the tension between courage and cowardice, Marty Cruickshank's boldly controlled Fru Alving finally gives way and rushes from the room in a surge of horror. Last year, Method and Madness burst on to the theatrical scene with a trilogy of outstanding productions. Now with *Ghosts* and *The Winter's Tale*, the company proves that it is here to stay.

**David Benedict**

At the Lyric, Hammersmith, London, W6 (0181-741 2311).

Theatre/David Murray

# 'Vanya' with a happy ending

In later Chekhov, young love is always blighted. The hoped-for matches, eminently sensible and likely to please everybody concerned, don't come off. Despite appearances, what defeats them is never really accidental, never "mere hap". One or another prospective partner just funks a crucial moment, though knowing full well that their happiness depends upon seizing it.

One or two such own-goals might be "misfortunes", in Lady Bracknell's terminology; but when they become endemic in Chekhov's later plays it looks like carelessness – or at best, suggests a glum new *parti pris*. Yes, these disastrous little funkings are always rooted in character and situation (never very distinct in Chekhov), and when well-prepared they draw our honest tears.

Nevertheless, even those of us who revere Chekhov sometimes find ourselves wondering: couldn't Anya have got her man? Mightn't Lopakhin have brought himself to propose? At the Playhouse, Anthony Clark has directed an alternative version of Chekhov's *Uncle Vanya* that allows the promising matches to be made, to widespread comfort and relief.

That alters some aspects of the play radically, of course; now it concludes in the sunny old tradition of happy-ever-after "comedies", instead of Vanya's resigned despair and Anya's optimistic mantras, hopeless and heartbreaking. As it happens, this alternative version – called *The Wood Demon*, after its central forest-ecologist – preceded *Uncle Vanyo* (1896) by seven years, and it was Chekhov who wrote it.

In Clark's faultlessly sympathetic production, set within clean, lofty wooden walls by Joel Froomkin, *The Wood Demon* has all the human – and humane – complexity of Chekhov's "great" plays, minus the despairing pessimism. Technically it is looser. Here his characteristic generosity in revealing every character, however minor, risks some diffuse sprawl, and the heartwarming Act 4 – quite different from *Vanyo*, because of the very different outcome of Act 3 – slips near to operetta-territory.

Yet Clark and his excellent actors, notably well cast, bring all that off with easy, unanxious panache, tactful but crammed with telling detail. They inaugurate Patrick Sulaiman's new Playhouse Theatre Company as auspiciously as could be. If you don't know *Uncle Vanyo*, this *Wood Demon* will still look like an uncommonly rich and relishable piece. If you do – or you could at least read *Vanya* first – the *Demon* you watch will be haunted by ghostly clones from the later play, which takes different paths.

A strange experience, and profoundly tantalising for all sorts of reasons. Though I cannot vouch for the literal authenticity of the new translation by Nicholas Saunders and Frank Dwyer, it plays superbly. It speaks with verve, but without any quaint self-conscious tics. We believe everybody.

Though Brian Protheroe's Zhorzh (the "Vanya") twitches with neurasthenic, self-flagellating detail, it needs a few more performances to be properly run in. Amanda Ryan's Sonya is enchanting, Emma Handy's Yuliya sweetly but soberly practical; Adam Godley makes a louche success of his feckless, crypto-Cossack Fyodor – a crazy role, almost impossible to play in English. The Wood Demon himself is Cal Macaninch, a mite stiff but passionately serene. Not to be missed.

At the Playhouse Theatre, London WC2 (0171-839 4401).

Recital

# A voice too far

On the operatic stage the Russian soprano Elena Prokina has won hearts and charmed ears at Covent Garden, Glyndebourne and Edinburgh, as Janáček's Katya especially and as Tchaikovsky's Tatyana. On Tuesday she gave an all-Russian solo recital at the Wigmore Hall. It charmed less.

Prokina sang Glinka, Rimsky-Korsakov, Tchaikovsky and Rakhmaninov, with solid musicianly support from Liuba Orfenova at the piano. It did not matter greatly that Prokina's Glinka, Russia's first great national composer (1804-57), sounded much like her Tchaikovsky (1840-93): dramatised to Romantic extremes, rhythmically free-and-easy.

If that was not quite Glinka's way, it is certainly Prokina's; and since her quick, bright intelligence was evident in almost every phrase, one was disinclined to quibble. There was a graver problem lurking, between her upper register and the Wigmore Hall. Perhaps two songs out of every three had *forte* climaxes; and they seared our ears. After the first couple of times, we ducked instinctively whenever she was about to let fly. Harsh, unfocused tone, even squally; obviously she was misjudging the scale of the hall.

Yet I remember several Wigmore recitals by newcomers, pianists as well as singers, who were similarly over-strenuous until the interval, when somebody had a quiet word with them. Apparently there was nobody to do that service for Prokina, for she kept on screeching in her second half too.

When the volume was turned down, she did keenly sympathetic things with several Rakhmaninov songs (decadent and self-regarding to the point of self-parody, but often tellingly concise). I particularly admired her "Lilacs" and "How fair this spot", where her bated-breath utterances spoke volumes.

There, nevertheless, she often essayed an ultra-*pianissimo* that she would not dare in an opera house. It sounded worryingly unsupported; rapt and/or intimate it might be, but usually it seemed touch-and-go whether her thread of tone might not fray and snap. The nicest raptures need to float in serene security. Prokina's recital-skills lag far behind her operatic prowess.

**D.M.**

INTERNATIONAL ARTS GUIDE

## ■ AMSTERDAM

**CONCERT**
**Concertgebouw**
Tel: 31-20-5730573
● Radio Filharmonisch Orkest: with conductor Edo da Waart, soprano Adrianne Pieczonka, baritone John Bröcheler and the Groot Omroepkoor in works by Hindemith; Jun 21

## ■ BARCELONA

**EXHIBITION**
**Fundació Joan Miró**
Tel: 34-3-3291908
● Jackie Brookner: display by the New York artist who works with clay and has an artistic fascination with the shape of the tongue; to Jul 27

## ■ BASEL

**EXHIBITION**
**Antikenmuseum Basel und Sammlung Ludwig**
Tel: 41-61-2712202
● Moments of Eternity – Egyptian Art in Swiss Private Collections: selection of Egyptian art from private Swiss collections. On display are a number of pieces, including gold-plated statuettes and mummy masks, dating from 400 BC; to Jul 13

## ■ BERLIN

**CONCERT**
**Deutsche Oper Berlin**
Tel: 49-30-3438401
● Requiem: by Verdi. Conducted by Rafael Frühbeck de Burgos. Soloists include Györgyi Lukas, Violeta Urmana, Alberto Cupido and Francesco Ellero d'Artegna; Jun 22

## ■ BRUSSELS

**CONCERT**
**Palais des Beaux-Arts**
Tel: 32-2-5078200
● Ensembla Vocal Européen: with conductor Philippe Herreweghe in works by Marenzio; Jun 24

## ■ CHICAGO

**EXHIBITION**
**Museum of Contemporary Art**
Tel: 1-312-280-2660
● Uta Barth: photographic exhibition by the Los Angeles-based artist, using large-scale works to investigate how the viewer's eyes capture information and conventional methods used to frame and present a subject; to Sep 21

## ■ DUSSELDORF

**EXHIBITION**
**Kunsthalle Düsseldorf**
Tel: 49-211-8996240
● Heinrich Heine: exhibition that places works by the German poet in the context of artistic practises and trends during his lifetime; to Jul 20

## ■ EDINBURGH

**CONCERT**
**The Queen's Hall**
Tel: 44-131-6683456
● Thomas Allen: performance by the baritone accompanied by the pianist Malcolm Martineau. Tha programme includes works by Haydn, Schubert, Vaughan, Williams and Quilter; Jun 23

## ■ INNSBRUCK

**EXHIBITION**
**Tiroler Landesmuseum Ferdinandeum** Tel: 43-512-59489
● Kult der Vorzeit in den Alpen: display of archaeological remains excavated in Austria, Italy, Germany, Switzerland and Lichenstein. On view are various implements and pieces used during sacrifical ceremonies and the display is complemented by a light and sound installation recreating a sacrificial scene; to Jul 27

## ■ LONDON

**EXHIBITION**
**Victoria & Albert Museum**
Tel: 44-171-9388500
● The Cutting Edge: 50 Years of British Fashion: exhibition tracing the history of British high fashion from 1947-1997; to Jul 27

**THEATRE**
**Lyttelton Theatre**
Tel: 44-171-921 0631
● The Cripple of Inishmaan: by McDonagh. Directed by Nicholas Hytner. The cast includes Rualdhri Conroy, Doreen Hepburn, Gary Lydon, Ray McBride and Dearbhla Molloy; to Aug 19

## ■ MADRID

**CONCERT**
**Fundación Juan March**
Tel: 34-1-4354240
● Paula Coronas: the pianist, performs works by Scarlatti, Liszt, Prokofiev, Albeniz, Falla and Granados; Jun 23

## ■ MUNICH

**EXHIBITION**
**Haus der Kunst**
Tel: 49-89-211270
● Carl Philipp Fohr: display of work by the German Romantic painter, featuring 340 drawings and seven paintings, many never before exhibited; to Jul 20

## ■ NEW YORK

**JAZZ**
**Carnegie Hall**
Tel: 1-212-247 7800
● Cassandra Wilson: performance by the singer, accompanied by the Joe Lovano Ensemble and the Geri Allen Trio; Jun 24

## ■ PARIS

**CONCERT**
**La Sorbonne**
Tel: 33-1 42 62 71 71
● Choeur and Orchestre de l'Université de Paris-Sorbonne: with conductor Jacques Grimbert, mezzo-soprano Dalia Schaechter, tenor Guy Flechter and baritone Nicolas Cavallier in works by Brahms and Mendelssohn; Jun 24

**Théâtre des Champs-Elysées**
Tel: 33-1 49 52 50 50
● Ensemble Orchestral de Paris: with conductor Jean-Jacques Kantorow, violinist Patrice Fontanarosa and cellist Philippe Muller in works by Saint-Saëns, Landowski and Mozart; Jun 24

**EXHIBITION**
**Centre Georges Pompidou**
Tel: 33-1-44 78 12 33
● Fernard Léger (1881-1955): retrospective featuring 220 works by the French painter who developed his art from early Neo-Impressionist and Futurist beginnings to a much-admired form of Cubism that used bold colour areas that were to have a major influence on the works of Mondrian; to Sep 29

## ■ ROME

**EXHIBITION**
**Museo di Palazzo Venezia**
Tel: 39-6-6798865
● La festa a Roma: exhibition recreating sites of the Roman Festa, held in the Italian capital from Renaissance times to the late 1800s. Theatrical effects and new technologies are employed to recreate sites; to Sep 15

## ■ STRASBOURG

**CONCERT**
**Palais de la Musique et des Congrès** Tel: 33-388 37 67 67
● Philharmonie des Nations: with conductor Justus Frantz and violinist Silvia Marcovici in works by Brahms; Jun 20

## ■ STUTTGART

**EXHIBITION**
**Staatsgalerie Stuttgart**
Tel: 49-711-2124050
● Mapplethorpe: retrospective exhibition of work by the American photographer whose portrait work and nude studies address issues of sexuality; to Sep 7

## ■ VIENNA

**CONCERT**
**Musikverein** Tel: 43-1-5058681
● Maurizio Pollini: the pianist performs works by Beethoven; Jun 22

## ■ WASHINGTON

**EXHIBITION**
**National Museum of American Art** Tel: 1-202-357-2700
● The Bard Brothers: Painting America Under Sail and Steam – collection of 40 paintings by James and John Bard, dating from the 1820s to tha end of the 19th century. The brothers painted marine scenes featuring the steamboats, schooners and yachts; to Sep 27

**Listing selected and edited by ArtBase The International Arts Database, Amsterdam, The Netherlands.**  **Tel: 31 20 664 6441. E-mail: artbase@pi.net**

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*European Money Wheel*

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*Financial Times Business Tonight*

## Philip Stephens

# The ragbag treaty

**EU leaders ignored the real issues at the Amsterdam summit and served up a generous helping of Eurofudge**

The Franco-German alliance has been in tronble before. Never, I think, at such a critical moment. The European Union got nowhere at this week's Amsterdam summit. It may be heading somewhere much worse.

The abiding images were those of the dyspeptic Helmut Kohl and the glacially sullen Jacques Chirac. Mr Kohl, Europe's wounded bear, railed against cruel fate. Mr Chirac, his government so recently sacrificed on the altar of the single currency, was trapped by the shadow of Lionel Jospin.

The summit was as dismal as any I can recall. Take away the Franco-German anchor and the EU falls to the pettiest of squabbling. The Treaty of Amsterdam is a mess, a ragbag of compromises and concessions to special interests. The best to be said of it is that it may soon be forgotten. We are sccustomed to Eurofudge, but rarely has it been been so richly sweetened with cynicism.

Economic and monetary union, a project for political integration built on the most precarious of economic foundations, is now in deep trouble. Hitherto, I have taken the view that however high the economic hurdles, the euro would be born of sheer force of political will. The consequences of failure would be too calamitous.

That may still hold true, but the balance of probabilities is shifting fast. The declaration on jobs and growth promulgated with such fanfare by the summiteers was no more than a figleaf over the Franco-German rift which has opened up since the election of Mr Jospin's Socialists.

Mnch more significant than any rhetorical footnote to the fiscal stability pact are the signs Mr Jospin is unwilling or unable to rein in France's budget deficit. On present trends, the shortfall may turn out at closer to 4 per cent than the 3 per cent demanded by the Maastricbt treaty. To ths fury of Mr Kohl, there was no evidence in Amsterdam that the new government would take corrective action.

Yon can understand the chancellor's irritation. He has seen his own political standing shattered by the effort to sqneeze the finances of a united Germany into the Emu straitjacket. He has been humiliated hy the Bundesbank. Even this week, Theo Waigel, his finance minister, was forced to depart the summit to put ont another political fire over tax increases. For Mr Kohl, next autumn's election carries the real prospect of defeat.

Little wonder he poured scorn on these latest echoes from Paris of François Mitterrand'a socialist experiment during the early 1980s. If France still thought it could spend its way out of unemployment, Mr Kohl was heard to say, then his response was simple: bon voyage. His bumour will not have been improved by Mr Jospin's subsequent decision to delay any hard decisions oo the budget until the autumn.

What happens next we do not know. Sucb ruptures have been repaired before. So there is little purpose in offering a precise prediction of Emu's fate. Suffice to say that when one of Europe's finance ministers whispers that the euro could yet proceed with Spain and Portugal and without France, yon begin to wonder about the connection with reality.

Emu, a project for political integration built on the most precarious of economic foundations, is now in deep trouble

All this hrings a warm glow to the hearts of British politicians – and not only to the Tory Eurosceptics who languish in the richly deserved obscurity of opposition. Within Tony Blair's government the calculation is that a single currency postponed or derailed would let it off the hook. In New Lahour's hands, sterling would be safe from the nasty foreigners. We told you so, quip the smug sceptics in the Treasury and Bank of England.

Another reflex tells the political establishment that any split between Paris and Bonn is by definition advantageous for Britain. This mindset still hankers for balance-of-power diplomacy, for the chance to play off one against the other. History's lessons, it seems, are never learned.

Mr Blair is looking for the chance to make an impact. He handled himself well in Amsterdam, even if he still feels compelled to play to the puerile gallery at home which demands that if he is not "leading" the rest he must he wielding tbe national veto.

He is a big picture politician who manages also to command the detail. He has amhitions, economic and political, for Europe's future. The British EU presidency next year provides an occasion. Mr Blair will never convert the continent to Anglo-Saxon economics. Yet others are at least travelling in the direction of flexible markets and lower employment costs.

Objective counsel should tell him, though, his political agenda has nothing to gain from the breach between Paris and Bonn. Europe's collectivs security rests on Franco-German cohesion. Without it, talk of a European foreign or defence identity is a pipe dream. As for the economics, make no mistake – Britain will not escape the fall-out if Emu is derailed.

There is another, more serious, casualty of the present stasis. If ever there was a raison d'être for the Amsterdam treaty it was that it would recognise that Europe does not end at the Elbe. Institutional changes would pave the way for enlargement. So what did the leaders of the present 15 do? They ducked it.

It is eight years since the Berlin wall came down. Ever since, the new democracies of central and eastern Europe have been promised admission to the EU club. They are no closer. The message from the summit was that the share-out of votes among existing members coumts for much more than any promises made to the peoples of Poland or Hungary.

Of course, the summiteers said, we all want peace and stability; but please do not try to measure such abstract principles against the livelihoods of French cereals producers or German dairy farmsrs. Sure, negotiations with the 10 applicants will start early next year. But there is not a government which can vouchsafe hand on heart they will be pursued with honesty or vigour.

Europe, Mr Blair will discover, has two choices. It can cohere and expand, or it can turn inwards and fragment. The former does not demand grand projects like Emu. It does require an enlightened view of national interests and sovereignty. France and Germany learned that long ago. Now they seem to have forgotten it. Perhaps this is too pessimistic and the clouds will soon lift again. I hope so. I fear not.

# ·LETTERS TO THE EDITOR·

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## A better option for S Korean bond

*From Ms Teresa Wyszomierski.*

Sir, Because it is contingent upon a credit rating agency downgrade, the put option contained in the new Korean Development Bank bond issue is a "form of disaster insurance" that may well insure disaster for unwary investors ("S Korean bank launches new 'disaster-proof' bond", June 17).

The put is valuable only if credit ratings are an accurate and timely indicator of the issuer's financial health. Experience shows credit ratings are at best a lagging indicator of economic integrity; at worst, they can be as accurate as a broken clock. In this regard, investors would do well to remember the precipitous downgrade in 1994 of Turkey from BBB- to B+. A seriously downgraded KDB may not have sufficient resources to repurchase the bonds. Furthermore, because the timing of a downgrade is at the discretion of a third party with no economic stake in the outcome, boodholders may experience a costly delay in the exercise of their remedy.

Investors would be better served with a put option contingent upon the failure of KDB to achieve certain pre-specified financial targets. Only in this way does the put diminish the financial risk associated with the issuer. As offered, the current put option merely substitutes "credit agency risk" for KDB credit risk.

**Teresa Wyszomierski,**
**61-87 56th Avenue,**
**Maspeth,**
**New York 11378, US**

## Strategy for jobs and debt crisis

*From Mr Christopher Allsopp and Mr David Vines.*

Sir, Europe has a twin crisis of jobs and debt. Frencb Socialists are right to emphasise growth and employment. But their proposals are old-fashioned and run against the need for fiscal consolidation in Europe. Fiscal relaxation would also tend to prodoce higher interest rates and a rise in the exchange rate, as US experience nnder President Reagan showed. The French and others who want to go for jobs and growth must be persuaded there is an alternative. But what?

One possibility is labour-market flexibility, by which is too often meant just lower wages. The broad prescription finds favour in Germany. But it, too, soumds old-fashioned. Nevertheless, there is no sticking point here: everyone should favour better functioning markets. Alone, though, they are unlikely to be sufficient.

Europe's illness is it has the wrong mix of fiscal and monetary policies. Interest rates and deficits have both been too high. The Maastricht timetable has ensured co-ordinated fiscal consolidation. But half a strategy can be worse than none. Unemployment has mounted, while deficits and debt bave not improved sufficiently.

Interest rates should be cut pre-emptively, therehy reviving European growth and investment. This should accompany a gradual, but credible, fiscal consolidation, which would prevent the monetary boost causing excess demand. Lower interest rates should also stimulate supply. Such strategies can work. One example was the UK a few years ago. Another is the US, wbere fiscal consolidation was accompanied by monetary ease.

Could fiscal reflationists be persuaded to swap their policy for a co-ordinated change in the policy mix? If it looked likely to be adopted, why not? Could the Germans accept the objectives of growth, fiscal consolidation, and improved flexibility? Certainly. The sticking point is the commitment to lower interest rates. Without this, the strategy falls apart. Fiscal consolidation, plus liberalisation, to buy lower interest rates – this should be Europe's aim.

**Christopher Allsopp,**
**New College,**
**Oxford OX1 3BN,**
**David Vines,**
**Balliol College,**
**Oxford OX1 3UL, UK**

## The human dimension does not add up

*From Mr Atri Mukerjee.*

Sir, Results of your "Guess the number" game (Mastering Finance, June 16) merely show participants were insufficiently numerate rather than provide insights into human behaviour.

I understand the importance of human empathy and the need to get into the minds of our fellow-beings when we are talking about perceptions and opinions and other such subjective matters that lie in the eye of the beholder, but this is a mathematical problem. You might as well ask what is the product of 12 and 5, and announce that 44 is the winner because it turns out to be the arithmetic average of the answers polled, with the remark that a surprisingly large number answered 60, and that shows that they know how to work a calculator bnt are not much good at reading minds.

**Atri Mukerjee,**
**P O Box 152, Dubai**

## Cut in gas leaks the priority

*From Mr Euan Nisbet.*

Sir, In strange contrast to water, leaks from the gas industry arouse little interest. Department of the Environment figures put UK gas leaks in 1994 at nearly half a million tonnes. Taking the global warming potential of methane as 56 times carbon dioxide, these leaks are equivalent in greenhouse terms to roughly 27m tonnes of $CO_2$. To put this figure, which may be conservative, into context, total carbon dioxide emissioo from UK transport in 1994 was 122m tonnes: stopping the gas leaks would be equivalent to taking more than 20 per cent of all vehicle use off the roads.

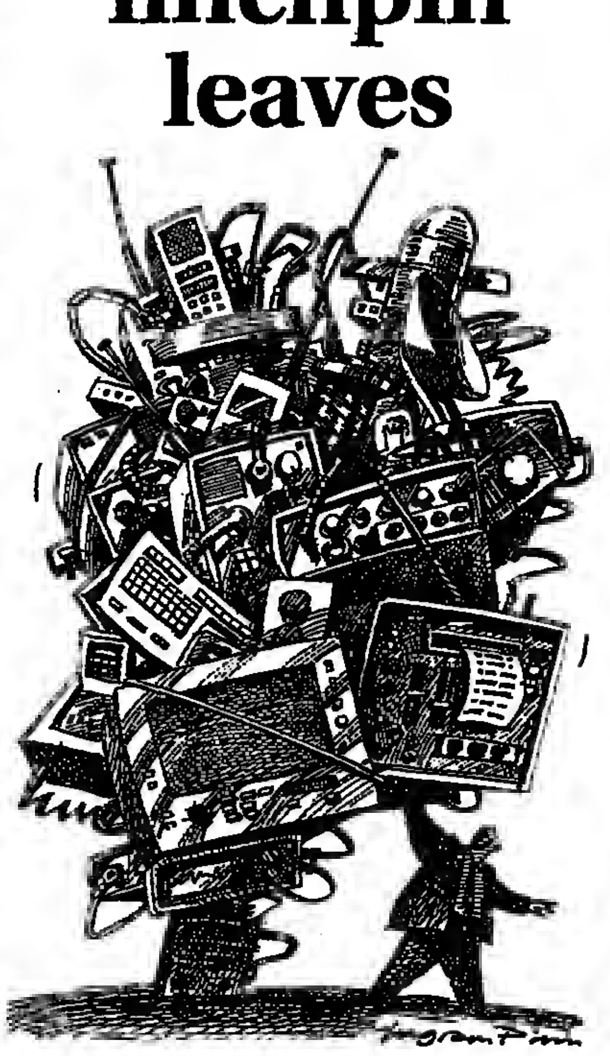
Your leader ("After burn", June 19) comments that the Monopolies and Mergers Commission accepted the argument that investment in renovating pipeline systems would not be required for many years. Here to the west of London, during still weather, air masses pass over us with methane conteots up to 10,000 parts per billion or more, five times the background. The carbon-13 content of the methane clearly identifies it as coming from large gas leaks. Reoewed investment would sharply reduce these losses, improving the industry's long-term profitability while cutting long-term consumer costs, and significantly helping the UK meet its greenhouse gas commitments.

Cutting methane leaks is a vital and cost-effective part of managing the global greenhouse: the real losers in the Ofgas/British Gas wars may be the poor people of my home, Zimbahwe, victims of climate change in Africa.

**Enan Nisbet,**
**Holly Cottage,**
**Englefield Green,**
**TW20 0JP, UK**

## Tony Jackson on how UK electronics companies have fared

# When the linchpin leaves



The news earlier this month that the UK electronics group Racal was "considering its options" had a glumly predictable ring to it. According to Sir Ernest Harrison, its chairman and founder, this is not a euphemism for break-up. But at 71, Sir Ernest is close to retirement. This has prompted questions as to whether the company will be around in its present form a year from now.

Sbortly after Racal's announcement, Amstrad, also chaired by its founder Mr Alan Sugar, said it would break itself up. CEC, whose founder Lord Weinstock retired last year, is constantly rumoured to be oo the point of merger or dissolution. Why is it that UK electronics companies seem unable to survive their creators?

Sir Ernest's record as an sotrepreneur is unusual. On the one hand, Racal's trading history has been at best patcby and at worst loss-making. On the other band, Sir Ernest has done a remarkable job of creating value for its shareholders.

In the 1980s he used Racal to create Vodafooe, which became one of the world's great mobile phone companies. Now independent, Vodafone has a market value of over £9bn, far outstripping Racal's £670m. In 1984, in a piece of pure opportunism, be paid £170m for the security company Chubb. Now also independent, Chubb is worth £1.3bn.

Given this outcome, perhaps lhe earlier question could be reframed. Anglo-Saxoo capitalism puts immense pressure on corporations to deliver shareholder value. But does the resulting lack of hreathing space make it impossible for the UK to produce enduring industrial giants on the European model such as Siemens or Philips?

Up to a point, says Mr Andrew Campbell of the Ashridge Strategic Management Centre. Perhaps more important, the unforgiving nature of today's markets makes it less likely that any company will last a long time. "In the old days, there was a lot of slack in the environment," Mr Campbell says. "A company like Siemens could survive even wben it was doing badly, as at times it did."

Perhaps it is the slack in a corporate culture that allows it to be innovative and risk-taking. The highly successful US manufacturer 3M, which is famous for its ability to come up with new products, deliberately creates slack by instructing its employees to devote 15 per cent of their time to dreaming up new ideas.

Not every company is a 3M. In the long run, Mr Campbell argues, the Anglo-Saxon economies are winning the competitive hattle because they are quicker to scrap companies which have failed. "That is the way of the future," he says. "The things that Harrison is doing now, the guys at Siemens will have to do eventually."

Indeed, the record of European electronics companies is not inspiring. Nor bas Anglo-Saxon capitalism prevented the US from sustaining some remarkahly successful old-style electronics groups, such as Emerson Electric. By contrast, the older generation of UK electronics companies was no better at surviving than the latest one. Mr Mike Styles, s veteran electronics analyst with Credit Lyonnais, recalls that when he started covering ths sector 25 years ago, Racal was the only company in it to have been founded since the war. "The hig names were STC, Plessey and Ferranti," he says. "And where are they now?"

The answer is faintly dispiriting. STC sold its ICL subsidiary to Fujitsu of Japan, and was then absorhed in its turn hy Northern Telecom of Canada. Plessey was dismembered in a hostile takeover by Siemens and GEC. Ferranti went bust.

Some, including Mr Campbell, would argue that this was no bad thing. When companies die, knowledge dies with them. But much of that knowledge is negative: how to do things the wrong way. "Wbat is needed," Mr Camphell says, "is the celebration of corporate death."

Not everyone would take such a robust view. When companies die, there cao also be extensive damage to communities and individuals. The trouble is that such damage is largely unquantifiable. One cannot tot up sbarebolder wealth versus social loss and see which is the greater.

For those wbo are more concerned about tbe damage, the chief culprit is the alleged short-termism of the stock market. In Racal's case, this argumeot is particularly hard to sustain. Tbe market was quick to spot the potential of Vodafone, and assigned more value to it than the rest of Racal, even before Vodafone broke even.

The valuatioo was occasionally taken to extremes. For a time in the late 1980s, Vodafone was 80 per cent owned by Racal, with 20 per cent publicly held. By comparing the market value of that 20 per cent with Racal's as a wbole, it was at times apparent that the market was valuing the non-Vodafone bits of Racal at less than nothing.

The implied judgment on Sir Ernest as a workaday manager was harsh, but not wholly unjustified. Tbis month's announcement was accompanied hy Racal'a latest full-year results, showing a slump in profits, a pitiful pre-tax margin of just over 3 per cent and 1,000 joh losses.

For Sir Erneat's admirers, this is the best reason for supposing that he will go oul with a bang. "As a matter of personal pride," Mr Styles says, "he'll deliver shareholder value again in the next 12 months, one way or another."

If so, his reputation as one of the outstanding entrepreneurs of postwar Britain will be sustained to the end.

It is not a finalc that would have equal resonance in Japan, or even Germany. But if Mr Campbell is right, and Anglo-Saxon capitalism is the wave of the future, Sir Ernest bas history on his side.

COMMENT & ANALYSIS

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Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
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# Mr Jospin's fairytale

Mr Lionel Jospin intends to keep us all guessing a bit longer. His speech yesterday setting out the new French government'a programme was deliberately coy abont economic policy, and continued to proclaim contradictory objectives.

Mr Jospin'a pledge to put the emphasis on job creation sits ill with his raising of the minimum wage (albeit by less than the trade unions had demanded), and with his promise of legislation to make it harder for businesses to cut workers.

But the central contradiction remains the fiscal one. Mr Jospin reaffirmed his aim of sticking to the January 1 1999 deadline for the launch of the single European currency. He also warned thet the "audit" of the public finances he ordered on taking office, due by mid-July, was likely to reveal a "serious" situation. That might sound like an attempt to prepare puhlic opinion for more fiscal tightening to meet the Maastricht budget deficit criterion of 3 per cent of GDP, which forecasts suggest France is likely to overshoot.

Yet he also ruled out disrupting the holiday season with e special parliamentary sesslon and a "corrective hudget" for 1997. New financial measures would wait until the autumn, he said. And the rest of his speech was devoted to reiterating election pledges, almost all of which go in the direction of raising public expenditure and reducing revenue.

In particular, be affirmed the government'a hostility to privatisation, not merely of natural monopolies, hut even of "big state enterprises in competitive industries" such as telecommunications, electronics and aerospace. Yet without the privatisation of France Télécom on which the previous planned transfer of pension revennes was based, it will be even harder to meet the 3 per cent deficit criterion this year.

Nor will promises to spend more on culture, education and bousing make it any easier. Only the scrapping of the Superphénix breeder reactor and the Rhine-Rhône canal, and a vague assertion that healthcare costs must be controlled, showed any sensitivity to the need to cut spending.

Mayhe Mr Jospin is hoping tbat Germany's own budget problems will help him argue for a more relaxed interpretation of the Maastricht criteria. If so, ha misjudges the polltical mood in Germany. Mr Kohl and Mr Theo Waigel, the German finance minister, may miss the 3 per cent target they have set themselves. But they will make a serious attempt to reach lt, by attacking public expenditure and (if possible) by increasing taxes. Mr Jospin should not expect to get away with a move in the opposite direction.

# Tory gamble

The UK Conservative party now has a leader. What remains to be seen is whether the party is capable of being led by Mr William Hague. Mr Kenneth Clarke's announcement that he will not serva in the new shadow cabinet will not make the task any easier.

In preferring the 36-year-old Mr Hague over the battle-tried Mr Clarke, Tory MPs have taken a huge gamble. Few doubt the new leader's diligence and intellect. But he is untested at the highest levels of politics. Nor did the contest illuminate his basic political instincts. Many see Mr Hague as a younger version of Mr John Major. Yet be bas tended to position himself as one of Lady Thatcher's children.

It will not belp him that Mr Hague was chosen hy the narrowest of electorates. Mr Clarke consistently won in wider tests of party opinion. If the franchise is now extended beyond the party's 164 MPs, as it should be, the new leader may well feel obliged to submit himself for re-election.

Mr Hague's first task is to construct a shadow cahinet which re-estahlishes the Tory party as a broad church. Mr Clarke may be standing aside, hut many of the 70 votes he attracted were from MPs in tune with the former chancellor's pro-European and centrist political outlook. They cannot be excluded or ignored.

If would therefore be absurd for Mr Hague, as be seemed to suggest during the leadership campaign, to apply a loyalty test based on the entirely hypothetical question of whether Britain should participate in a single European currency. Until they stop talking to themselves about Europe, Conservatives will rightly be treated as irrelevant by the electorate.

Beyond that, Mr Hague must begin to rebuild the party in the country, recruiting new members and strengthening the coordination between national and local organlsations. In the Commons he must show he can mount a vigorous and effective opposition to Mr Tony Blair's government. That will be no mean task.

The strategic challenge, bowever, is still greater. Mr Blair has occupied the political centre ground, seizing territory which Conservatives long took for granted. Mr Hague must develop a programme to reoccupy that ground. If he succumbs instead to the demands of his most prominent supporters for a further shift to the Eurosceptic right, his party will never break out from its last redoubts in the English shire counties.

It would be churlish not to congratulate Mr Hague on his victory. But it is only fair to warn him that winning the leadership was the easy bit. Restoring his party as a government-in-waiting will demand talents he has yet to demonstrate.

# Thai turmoil

Nero, it is said, fiddled while Rome hurned. Thailand'a government forced out a respected finance minister for daring to try to raise taxes on marhle and motorcycles while the country's banking system was on tha brink of collapse. Such is the unreal world of Bangkok politics, but yesterday's groan from financial markets was a reminder that disaster looms if Thailand does not soon get a grip on its deepening crisis.

The origins of that crisis are well rehearsed. Banks and finance companiea lent too much into a booming property market which is now crippled by oversupply. Lower interest rates would be a normal response to the resulting strains in the financial sector.

Yet the authorities cannot ease monetary policy because that might cause the currency to fall. Since Thai companies are heavy borrowers of dollars, many would fold in the event of a devaluation. The result is a vicious circle of deflation.

With their successful defence of the baht from speculative attack in May, the authorities won some time to put these problems right. But they have blown most of this opportunity amid squabbling which prompted Mr Amnuay Viravan to resign his finance portfolio.

Mr Amnuay was not an ideal finance minister. As a non-politician he lacked the skill to push through unpopular measures. As a former banker he struggled too much to keep ailing institutions alive. In the end he set too much store by cutting a small hole in the budget.

But he was one of the few figures to command the respect of the markets. Their confidence will not recover unless a successor of statura is found who enjoys unstinting support from a united government.

The medicine now required is tough. Companies must urgently (and expenaivsly) hedge their dollar debt. The authorities must cauterise the banking prohlam hefore it afflicts ths entire sector.

Some two-thirds of finance companies have effectively no capital left. Thailand cannot afford the cost of keeping them afloat. It must close institutions that cannot survive and mount a determined defence of those that are sound. Doing nothing will put the entire system in jeopardy.

For a country where patronage and vested interests are deeply entrenched, this is a difficult task, especially when political leadership is lacking. King Bhumibol, Thailand'a revered monarcb, has never before intervened in economic policy. He would serve his country well if he started now by appointing a governmant of national unity and making it sort out the mess.

# Anatomy of a miracle

**Gerard Baker** takes a hard look at the technological changes that are said to be fuelling a productivity revolution in the US

Strung around the freeways that now barely contain the bulging Texas metropolis of Dallas, bundreds of high-tech manufacturing plants bear witness to what many economists believe is the key to the extraordinary success of the US economy in the late 1990s.

Dallas is one of the many areas of the country that bave seen explosive growth in high-tecb business. At Texas Instruments, one of the largest local employers, the management believes the growing use of compnters has helped radically to transform US competitiveness.

Improvements in productivity – the output per hour worked hy employees – at Texas Instruments' plants have enabled the company to make a greater number of more efficient and less expensive computer products. Texas Instruments has a term for these productive gains – "phantom fab", or e plant the company has not had to build. Every year for the past three years, productivity growth has been so strong that it has increased the company's capacity hy the equivalent of the output of one manufacturing plant.

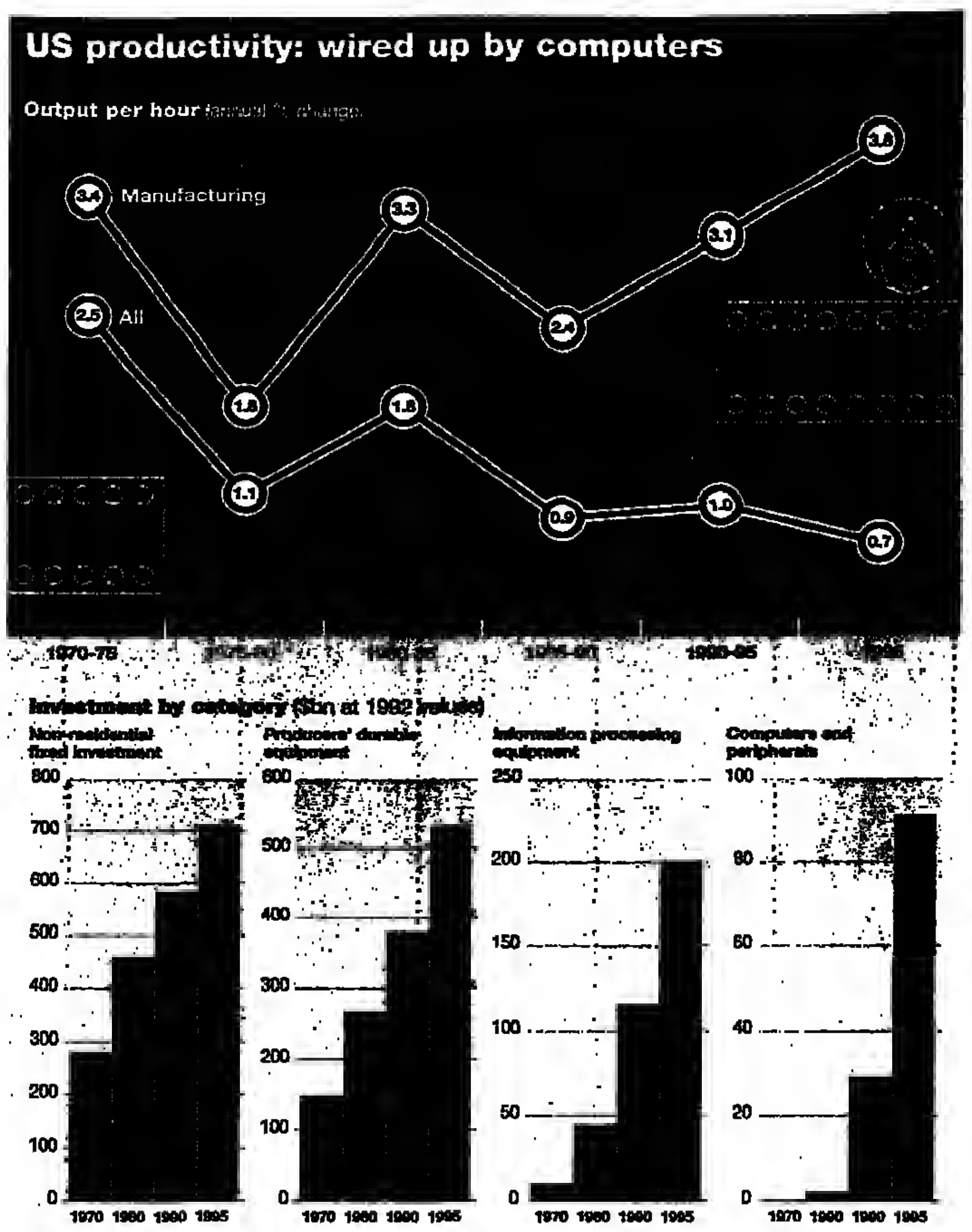
Mr Vladi Cattó, chief economist at Texas Instruments, says these productivity leaps have not only helped the company expand but have also benefited the rest of the economy through improvements to information technology. "Output per person in this company is increasing at a rate of 50 per cent to 100 per cent per year," he says. "That means our customers not only get goods with more productive power, but they get them at cheaper prices, every year."

This confidence in the achievements of compnters reflects a widely held viaw among businesses and economists thet something revoltionary has happened in restoring the US to its place as the world's leading economic power. Understanding the reasons for US economic success will be high on the agenda of this weekend's summit of leading industrialised nations in Denver.

The explanation for this performance in the past few years is generally beld to be the so-called productivity miracle, driven hy computers, especially in the form of information technology.

Prodnctivity growth is at the heart of economic performance. The long-term capacity to grow is determined by the sum of the growth in productivity and the growth of the labour force – in short, how many workers and how prodnctive they are. If demand in the economy grows faster than this rate of increase, inflation is inevitable. Many economists believe the reason the US economy is now growing at a faster pace than what they have previously regarded as its sustainable non-inflationary rate is thet productivity growth has picked up sharply.

That would certainly explain why the sort of strong growth thet has redneed unemployment to a 25-year low in the US has continued alongside an inflation rate at its lowest in 30 years, and why the profitability of US companies has never been higher. The resulting confidence is expressed in a stock market that sets new records almost every week as investors embrace the proposition that the US economy has changed fundamentally.




Sources: Labor Department, Federal Reserve Bank of St Louis

What has happened is equivalent to an "incredible technological revolution", says Mr Allen Sinal, economist with Lehman Brothers, the US investment bank: "The wiring, rewiring and dewiring of . . . private and public infrastructure that bas reduced costs and raised productivity almost everywhere."

The only problem with this popular view of the US productivity miracle is that there is still no statistical evidence to back it up. According to the government's official measurements of output in the US economy, productivity in the non-agricultural business sector grew hy 0.7 per cent in 1996. Though that represented a slight acceleration from the previous year, it was barely up with the everage rate of a little over 1 per cent recorded between 1970 and 1995 and well below the 2 per cent to 3 per cent rates of growth in the 1950s and 1960s.

Officially, therefore, for all the talk of a computer-driven "second industrial revolution" the so-called improvements are no more than an anecdotal mirage. But most economists are deeply suspicious of the official figures. As Mr Robert Solow, the Nobel prize-winning economist, has aaid: "Computers are evarywhere, except in the productivity statistics."

Companies have certainly been investing heavily in technology in recent years, presumably in the belief that it was fostering increases in prodnctivity. The share of total private non-residential fixed investment that went to compnters rose from 1 per cent in 1970 to 12.8 per cent in 1995. While tbe total value of investment in prodncers' durable equipment multiplied fourfold in real terms between 1970 and 1995, capital spending on information-processing equlpment increased hy a factor of 20.

Many economists believe the scale of this investment means the productivity statistics must be wrong. The main problem, they argue, is thet the figures fail to pick up improvements in service sector productivity.

Broken down by sector, the figures do indeed suggest there has been a curious disparity between productivity growth in manufacturing and improvements in services. Manufacturing productivlty has been rising sharply in recent years with gains of 3.4 per cent in 1995 and 3.8 per cent last year.

That improvement is especially impressive, given the low unemployment rate of just 4.8 per cent. Normally, at this late stage in a jobs-producing expansion, productivity growth falls off as less productive workers are added to the already full payrolls.

Meanwhile in the services sector, growth has stagnated. The figures suggest productlvity improvements in services have been virtually nil in the last 20 years. With an ever increasing share of activity accounted for by services, this stagnation is deeply tronbling for the long-term health of the economy.

The problem witb these figures, according to many economists, is that increases in the output of many services – and hence productivity – are bard to measure. How is the increased efficiency of e computerised airline ticket reservation system to be measured? "Computers obviously make all of us more productive," says Mr Cattó. "It makes no sense to say that services productivity is static while manufacturing productivlty ls increasing by 4 per cent or so a year."

But not all economists are convinced the computer-driven improvements in services heve been so significant. Though computer-driven technology improvements may have lifted productivity in many high-tech businesses, those companies still represent only a small proportion of overall investment. Mr Stephen Oliner and Mr Daniel Sicbel, two US economists, recently estimated that computer stocks accounted for just 2 per cent of total non-residential equipment and structure in 1993. Information processing equipment as a whole mads up about 11.7 per cent. At those levels, even dramatic leaps of productivity in the computer field only slightly affect overall productivity figures.

For all the growth in the use of computers, most services are still heavily labour-intensive. While output – bowever it is measured – may have increased slightly, hours worked have also risen over the past few years, limiting any productivity gains.

Whatever the explanation for the mystery of the missing productivity miracle, it seems premature to argue that statistical mismeasurement of tbe figures could really explain the fact that the US economy is experiencing stroog growtb with low inflation.

The problem is that, if service sector productivity has been understoted, then total service sector output will bave been understated, too. The productivity numbers are drawn from the overall output figures.

In other words, if productivity has been growing mucb faster than the 1 per cent or so recorded in the past few years, the total output of the economy will also have been growing faster than the 2 per cent to 3 per cent recorded over that time. That means the economy is still growing faster than its productive capacity to grow, whatever that growth rate may be. "Productivity and output growth are both products of the same data," says Mr Stephen Roach, chief economist at Morgan Stanley, tbe New York investment bank. "That's because output is defined as 'output per bour'."

What then could explain the impressive US performance? As Mr Ed McKelvey, economist at Goldman Sachs, the US investment bank, says, the question is not whether there is an error in the statistics but whether the error has suddenly grown much larger in the past two or three years.

"The size of the error is mucb less important than whether it is changing," he says. Only the possibility that the gap had grown larger would provide e convincing case for saying that a productivity miracle bad suddenly shifted the economy's productive potential upwards, facilitating e higher rate of non-inflationary growth.

Some economists believe that may indeed have beppened – that the surge in investment in computers in the past 20 years may only recently have begun to pay off as workers and management have become used to working with the new technology. Mr Donald Alleo, an economist with the Federal Reserve Bank of St Louis, argues that past experience of the introduction of new technology suggests gains do indeed take time to be seen in economic statistics.

"Despite the proliferation of computers and other information technology hardware, there are reasons to believe the capabilities are being under-utilised," be says. But "as computers have become more commonplace, computer literacy has increased".

If thet view is correct it would not only explain the benign condition of the US economy; it would also mean the US is set for many years of a much faster growth rate, brought about hy technology gains.

# OBSERVER

## Sunny side of the Street

■ Wall Street will get its first chance to size up Britain's new prime minister at close quarters on Monday when Tony Blair drops by for a *tête-a-tête* with a dozen or so of the most influential power-brokers in American finance.

Blair, then opposition leader, hardly set New York alight in his first attempt to woo Wall Street with a speech last summer, though he did assuage fears of a return of old-style socialism to Britain. This trip promises to be an altogether more cosy affair.

The behind-closed-doors conflab, put together by Callum McCarthy, BZW's man in New York, will bring the PM together with the leaders of an industry which tends to lean more to the Democrat than the Republican.

Blair can expect a sympathetic hearing from Deryck Maughan, the Labour-supporting former British Treasury high flyer who runs Salomon Brothers, and Bill McDonough, head of the New York Fed, who argues that the financial services industry should apply itself to socially useful ends. Among others in attendance will be the chairman of Goldman Sachs International Peter Sutherland, a former head of the World Trade Organisation.

But just in case this all seems too friendly, Blair will also get the chance to size up Stanley Druckenmiller, the power behind the throne at George Soros's hedge fund empire. As he proved in 1992 – when his funds mada hay from sterling's ejection from the European exchange rate mechanism – he knows just how to make prime ministers feel uncomfortable.

## Trunk root

■ Yesterday's departure of Thai finance minister Amnuay Viravan has been widely blamed on political infighting. But some fingers are pointing at a pair of life-sized wooden elephants which stand guard at the ministry's front door.

Seven years ago, the then finance minister Banharn Silpa-archa decided that the twin tuskers were jinxed and sent them off to sample temple life. "Early this month, the wooden elephants returned," a doleful ministry official said yesterday. "And once they came back all the bad things have happened."

There is another suspect: Rahu, the Indian god who swallowed the sun during last year's eclipse. Prime minister Chavalit Yongchaiyudh's wife attempted to chase away Rahu, who's known to bring bad luck, in an elaborate five-hour ceremony last week that included the first couple changing private residences.

## Off air

■ French journalist Anne Sinclair is to end her prime-time evening television political interview slot on "ethical" grounds following the general election – she's married to Dominique Strauss-Kahn, the powerful finance and industry minister in the new government.

Sylviane Agacinski, the wife of prime minister Lionel Jospin, has also quit her show – a worthy, monthly, late-night philosophy discussion – also citing ethics as her reason. It's a tough call for such a peripheral show, but it's just possible that boredom and lack of an audience were factors, too.

## Mickey taken

■ Walt Disney, son of a Congregationalist and friend of J Edgar Hoover, must be turning in his grave. The Walt Disney Company, a white Anglo-Saxon Protestant bastion, has fallen foul of America's largest Protestant denomination – the 15m-strong Southern Baptists.

Disney's expansion has taken it well beyond Bambi: it still makes family films, but also produced Quentin Tarantino's bloody Pulp Fiction. Its ABC television network upset ths Southern Baptists last month when the title character in top-rated sit-com Ellen "came out" as a lesbian. The Southern Baptists' Convention in Dallas was also exercised by Disney's policy – shared by several hundred US companies – of extending medical benefits to same-sex partners of employees.

The convention has called on its flock to steer clear of Disney stores, theme parks, films, and TV and radio channels in protest. "Disney is going to find out how many regiments of godly people Southern Baptists have," said the boycott's proposer. Until Junior demands the Aladdin video, anyway.

## Press gang

■ The war between journalists and Philippines mobsters has taken another ugly turn, with reports that some hacks have formed an armed gang after the murder of a colleague who'd been writing hard-hitting pieces on drug lords, police corruption and crime syndicates.

Local media say the Danny Hernandez Brigade has guns, grenades and tear gas, and a gang member is quoted arguing that press freedom must be protected "by the barrel of the gun if need be". Observer remembers when the pen was mightier than the sword.

The Financial Times

## 50 years ago

**U.S. Wool Bill Approved**
Washington, 19th June. The U.S. Senate gave final approval to the protectionist Wool Bill to-night by 48 votes to 38. The Bill now goes to the White House for President Truman's signature or veto. More than a dozen Democrat Senators refused to support the Administration's opposition to the Bill, which permits higher tariffs or restrictions on imports of wool. Before the final vote there was a passage of arms between Senator Barkley, Democrat leader, and Senator Taft, Republican leader, over the protectionist clauses. Senator Barkley declared that the U.S. Government would invite a catastrophe to the trade conference at Geneva.

**India Bans Luxury Imports**
From 1st July the import into India of luxury goods including motor-cars, wines, spirits, refrigerators, whiskey, manufactured silk and rayon will be banned. Limited imports will be allowed of a number of other items including cycles and cigarettes. Coal, hides, skins, vegetable and mineral oils, rubber, raw cotton, wool, silk yarns and machinery of all kinds are included in the free import list. On 1st July all existing import licences will lapse. The Pakistan Government is expected to have a different import policy.

FINANCIAL TIMES
Friday June 20 1997



# Thai markets rocked as two ministers resign

By Ted Bardacke in Bangkok

Generel Chevalit Yongchaiyudh, the Thai prime minister, expects to name a new finance minister today in an attempt to calm financial markets, shaken by yesterday's resignations of the finance and commerce ministers.

The baht weakened sharply in the offshore market, closing at Bt25.10 to the dollar, down from Bt23.55 on Wednesday. Several Thai corporations were hedging their dollar debt.

Equity investors eold their holdings emid uncertainty about Thailand's financial system. They were unsettled by comments from Mr Chatri Sophonpanich, executive chairman of Bangkok Bank. He said that "once the level of non-performing loans is disclosed [beginning in July], many financial institutions will be nnable to continne their operations".

The Thai stock market fell 3.8 per cent yesterday to an eight-year low of 464.77 on heavy volume.

The market is down 44 per cent on the year and has lost 9.8 per cent of its value this week.

Gen Chavalit said the new finance minister would pursue the same policies as Mr Amnuay Viravan, the former minister. The new minister would maintain the value of the baht, which is pegged to the US dollar.

Gen Chavalit hinted that no one had yet agreed to take the position. "I want to name the new minister as soon as possible," he said in an interview with the Financial Times. Mr Narongchai Arkarasanee, the commerce minister, also resigned yesterday.

Traders were concerned the currency's stability would be undermined, no matter who the minister was. Most say tough measures are necessary to clean up the financial system and protect the currency, but analysts believe e technocrat or hanker, like Mr Amnuay, would be unable to push stringent policies througb Thailand's murky coalition politics.

A political insider would be likely to push a dangerous agenda of fiscal expansion and be beholden to vested interests within the financial eystem, making economic or financial reform doubtful.

Mr Poosana Premanoch, an aide to Gen Chavalit and head of the finance minister search committee, said the minister would come from the banking sector.

Among the leading candidates are Mr Virapongsa Ramangura, a former deputy finance minister who helped engineer the baht devaluation of 1984, and Mr Chaiwat Wibulsawasdi, deputy governor of the central bank.

Editorial comment, Page 13; Thai reforms, Page 6; Observer, Page 13; Lex, Page 14; Currencies, Page 23

# Trade ban on ivory eased for 3 African countries

By Tony Hawkins in Harare

An international conference on endangered species yesterday eased a seven-year ban on the global ivory trade, allowing three southern African states to sell ivory to Japan from their "excess" elephant herds subject to some conditions.

Botswana, Namibia and Zimbabwe have argued for the resumption of the trade, saying their combined herd of abont 150,000 elephants has been growing steadily and was doing so even before the world ban.

But Mr David Barritt, Africa director of the International Fund for Animal Welfare, deplored the decision and vowed that Ifaw would vigorously scrutinise the trade and expose any violations.

The 10-day Convention on International Trade in Endangered Species, which ends today, voted by 76 to 21 with 20 abstentions to lift the ban – though not for another 18 months. Botswana has been granted a 25.3-tonne qnota, Zimbabwe 20 tonnes and Namibia 13.8 tonnes.

Tbe compromise deal worked ont by e 19-nation committee recommended the resumption of trade hy the three countries "under an international monitoring and reporting system".

Under the agreement, elephants in the three countries bave been downlisted to Appendix II – endangered species tradeable under controls – from Appendix I, which bans all trade.

"But the transfer would include no international trade before 18 months after the transfer to Appendix II comes into effect. Thereafter, an experimental quota of raw ivory may he traded with Japan," the approved amendment says, indicating the quotas each country would be allowed to sell.

No ivory trade would be allowed to take place if the convention was not satisfied with the monitoring measures proposed by Zimbabwe, Botswana, Namibia and Japan.

The US and some EU members, especially France, had led a strong lobby – which included several African states – against easing the 1989 hlanket ban, arguing that it would rekindle poaching and put elephants at risk. Australia and Israel also opposed re-opening trade. Japan and Switzerland backed the proposal.

Mr Chen Chimutengwende, Zimbabwe's environment and tourism minister, claimed that some opponents of the ivory trade were doing eo on grounds of race. "There is no other explanation," he told Zimbabwe state media.

# Emu pledge

Continued from Page 1

ners," said Mr Philippe Séguin for the RPR Gaullists. Mr François Bayrou, floor leader of the centre-right UDF, predicted the Jospin government would heve to renege on either its domestic promises or its European commitments.

Mr Jospin's policy address left the franc unaffected, but the Paris Bourse's CAC-40 index fell 0.44 per cent.

While blocking the planned privatisation of Thomson-CSF and Aerospetiale, Mr Jospin acknowledged that the French defence industry needed a "more coherent policy" to allow it to make alliances with European arms companies.

The government would do nothing to reverse President Jacques Chirac's abolition of conscription and phasing in of a professional army. Mr Jospin said French defence efforts would be focused on Europe, implying he did not favour reintegrating France into Nato's command.

He based much of his election campaign on promises to root out corruption in public life, and much of his speech yesterday was focused on the need for more ethical standards for politicians.

# McDonald's wins epic UK libel case

By John Mason, Law Courts Correspondent

The long-running McDonald's libel action against two environmental activists ended yesterday in London's High Court with the US fast-food company and its UK subsidiary achieving a qualified legal victory but being left with a public relations disaster.

After a 313-day trial, the longest in England, the judge ruled that most of the criticisms of McDonald's business practices made in a protest group's leaflet were untrue and awarded the companies damages of £60,000 ($97,800).

McDonald's decision to bring libel proceedings against Ms Helen Steel and Mr David Morris has led to increased campaigning against the company.

The allegations made in the leaflet produced hy London Greenpeace, a group unrelated to the larger Greenpeace organisation, included claims thet McDonald's destroyed rainforests and contributed to third world starvation its food was a health risk and the companies exploited their staff. Mr Justice Bell, the judge, said the bulk of these were unjustified. However, he ruled against the companies on some issues, deciding they exploited children in their advertising, were cruel to animals and, in the case of the UK subsidiary, pleced unfair pressure on young employees.

After the judgment, McDonald's faced criticism from the legal and public relations professions that had done itself more harm than good by bringing the action.

Mr Stephen Brocklebank-Fowler, managing director of London public relations company Citygate Corporate, said: "McDonald's has scored one of the most extended own-goals in public relations." Mrs Sarah Webb, e libel lawyer with Russell Jones & Walker law firm, said: "It cannot he seen as e resounding success."

The two activists plan to to challenge the UK's "oppressive" libel laws in the European Court of Human Rights.

Historic victory, Page 8

# EU nears deal on air pollution targets

Continued from Page 1

paring to agree a pledge to rednce emissions of carbon dioxide and methane, hlamed for global warming, by at least 7.5 per cent hy 2005, compared with 1990 levels. This target would be in line with an earlier EU pledge for a 15 per cent cut by 2010 – to he implemented if other netions agree to e similar reduction.

The target for emissions of carbon dioxide, methane and other so-called "greenhouse gases" will form the basis of the EU's negotiating position at a special United Nations general assembly on the environment next month.

The assemhly will be followed by a ministerial convention in Japan in December which may produce e worldwide commitment to emission cuts.

The US has objected to short-term targets and called instead for emission "quotas" that could be traded between companies and countries. Its proposal was debated yesterday at a special UN conference in Chicago.

THE LEX COLUMN

# Jospin's jobs

The gaping chasm between French ends and means looms ever larger. Mr Lionel Jospin, the prime minister, confirmed the grave state of public finances and reaffirmed France's commitment to European economic and monetary union. But there was no attempt to reconcile the reality with the ambition. To the contrary, the Jospin vision of a greater role for the state, coupled with no increase in taxes, seems likely only to bloat the deficit further.

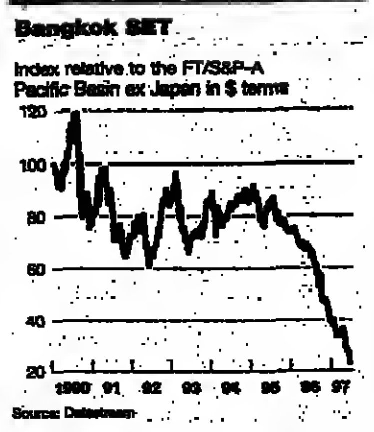
Worse, while Mr Jospin's emphasis on jobs is quite understandable, the measures he favours look set to destroy them. Far from freeing up France's sclerotic labour markets, he is planning to raise the minimum wage, freeze job cuts in the civil service, and cut the working week. The lukewarm approach to privatisation also augurs badly, though Mr Jospin may yet conclude that his definition of the public interest includes unloading companies like Credit Lyonnais which are simply a drain on the state.

It would be wrong to assume the disjuncture between ends and means indicates an indifference to Emu. Bnt Mr Jospin cannot forever postpone explaining how his commitment to solidarity squares with the Maastricht treaty. Meanwhile, French assets look unattractive. With less commitment to restructuring, the 8 per cent rally in equities since the election appears overdone. And French bonds trading 12 basis points below bunds makes no sense, given the uptick in the economy and Germany's more impressive commitment to tackling structural problems.

Eurotrack 200 index
2457.9 (+16.6)

Bangkok SET

Index relative to the FT/S&P-A Pacific Basin ex Japan in $ terms




Source: Datastream

## Thailand

Thailand is a very sick tiger economy, but its government is refusing medicine. And the loss of its finance minister yesterday, accompanied by the commerce minister, does little to suggest it has the political strength to find a cure. Meanwhile, the economy labours under the artificially high interest rates required to prop up the baht. Overnight rates are some 10 per cent higher than inflation and the resulting asset deflation is the last thing its crippled banking sector needs.

The stock market is down 44 per cent this year, but it is hard to see a recovery. The signal for buyers would be a decision to let the baht slide and relax interest rates. This would help jump-start manufacturing industry. Of course, numerous corporations which used off-shore debt to fund local assets would fall victim. But Siam Cement is now refusing payments by cheque, suggesting there are plenty of victims already. However, the government still wants its strong baht.

As investors flee Thailand, there are growing fears that Malaysia, Indonesia and the Philippines could follow. They share some of the Thai symptoms of over-inflated property markets, weak government policy, pegged currencies, current account deficits and struggling hanking systems. But none can boast the full breadth or depth of Thailand's prohlems. Nonetheless, higher interest rates may be required to support their currencies, which suggests they could also suffer more stock market turbulence.

## LVMH/GMG

No matter how hard Guinness and Grand Metropolitan try to pursue their cosy merger in peace, they cannot keep Mr Bernard Arnault, LVMH's chairman, quiet. LVMH was ignored in the merger to create GMG Brands, despite owning 14 per cent of Guinness and baving numerous joint ventures. But like Banquo's ghost, Mr Arnault is determined to join tbe party. Threatening legal action to scupper the deal did not get him very far – GMG has a decent case and feels the merger is worth doing anyway. But buying £792m worth of GrandMet shares should get his calls answered. The deal needs 75 per cent approval from GrandMet shareholders, and LVMH has made the implicit threat that it could huy enough to block it.

It is hard to read Mr Arnault's game plan but clearly he feels threatened by GMG and understandably so. LVMH's Moet Hennessy business would gain from links with GMG's more powerful distribution network, but it would be a bit part in the deal. And it could eventually be left out in the cold, like another Rémy Cointreau.

LVMH would prefer to end up in charge, and that is the risk for GMG's outside investors. Mr Arnault favours a merger of Guinness, GrandMet and MH and a spin-off of the unrelated brewing, food and burger businesses. This would create more cost savings but cause enormous disruption. And investors might get lousy prices for rushed demergers.

## UK fiscal policy

Mr Gordon Brown, the UK finance minister, wants an excuse to raise taxes; he now has one. That is probably the best way of viewing yesterday's National Audit Office report on the Budget assumptions. No hlack hole has been discovered in the public finances; all that has happened is that Mr Brown is using more conservetive assumptions than his Conservative predecessor. The Treasury is honest enough to admit they are "deliberately cautious", but that has not of course stopped the NAO's accountants saying they are reasonable.

If the report provides an excuse for fiscal tightening, fair enough. The UK economy is in danger of overheating. Action on the fiscal front (though not if taxes are heaped on the corporate sector) would help restrain consumption and reduce the amount interest rates need to rise to prevent an inflationary hoom. The worry must be that Mr Brown is also giving himself room for manoeuvre in case be has to relax spending targets. Future spending could then go up hut deficits still be lower than his cautious forecasts.

## Corporate taxation

Yesterday's column gave the impression that tbe Institute for Fiscal Studies thinks aholishing pension funds' dividend tax credits could hoost investment hy British industry. In fact, the IFS believes such a move would probably reduce investment.

Additional Lex comment on Securicor, Page 21

FT WEATHER GUIDE

## Europe today

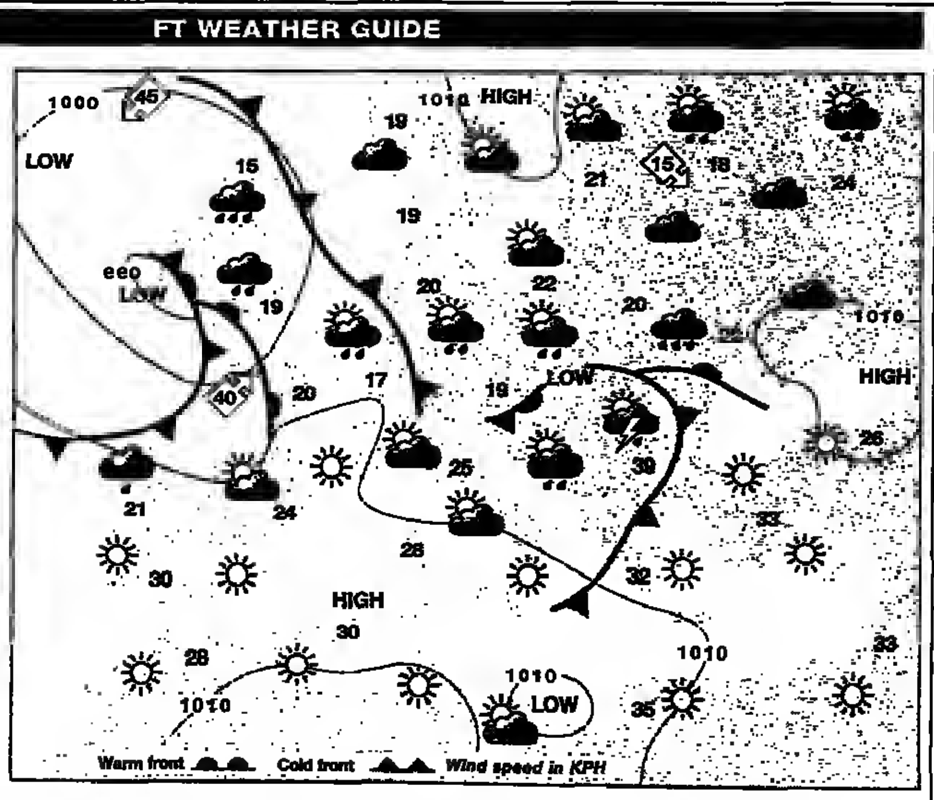
A low pressure system near Ireland will cause cloud and rain over the British Isles. The rain will spread towards western France during the day. The Benelux, north-western Germany and southern Denmark will have some showers.

Southern Scandinavia will have a mix of cloud and sunny intervals. Another low near Hungary will bring plenty of rain to the eastern Alps, the Carpathians and other parts of the Balkans. The southern Balkans and Greece will be hot and quite sunny. North-western Spain will have increasing cloud and some afternoon showers.

### Five-day forecast

The pressure will remain low over the UK, resulting in unsettled and cool conditions across north-western Europe. Plenty of rain will spread eastwards into the Alps during the weekend.

The Mediterranean area will stay fine. Russia and the Ukraine will become pleasant by Sunday.




Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Maximum | Beijing | fair 33 | Caracas | fair 81 | Faro | sun 26 | Madrid | sun 29 | Rangoon | shower 32 |
| | Celsius | Belfast | rain 18 | Cardiff | rain 18 | Frankfurt | shower 20 | Majorca | sun 26 | Reykjavik | cloudy 15 |
| Abu Dhabi | sun 38 | Belgrade | thund 26 | Casablanca | sun 24 | Geneva | cloudy 22 | Malta | sun 28 | Rio | fair 22 |
| Accra | thund 28 | Berlin | cloudy 22 | Chicago | shower 31 | Gibraltar | sun 28 | Manchester | rain 17 | Rome | sun 27 |
| Algiers | sun 27 | Bermuda | fair 29 | Cologne | shower 18 | Glasgow | rain 18 | Manila | shower 35 | S. Frsco | sun 24 |
| Amsterdam | shower 18 | Bogota | thund 18 | Dakar | shower 30 | Hamburg | shower 20 | Melbourne | sun 15 | Seoul | fair 29 |
| Athens | sun 35 | Bombay | rain 31 | Dallas | shower 32 | Helsinki | fair 22 | Mexico City | shower 32 | Singapore | shower 33 |
| Atlanta | shower 33 | Brussels | fair 17 | Delhi | thund 37 | Hong Kong | rain 26 | Miami | sun 32 | Stockholm | sun 20 |
| B. Aires | shower 18 | Budapest | rain 20 | Dubai | sun 39 | Honolulu | shower 30 | Milan | fair 23 | Strasbourg | shower 20 |
| B.ham | rain 19 | C.hagen | cloudy 18 | Dublin | rain 16 | Istanbul | sun 34 | Montreal | fair 26 | Sydney | shower 16 |
| Bangkok | thund 37 | Cairo | sun 35 | Dubrovnik | sun 27 | Jakarta | shower 33 | Moscow | shower 17 | Tangier | sun 26 |
| Barcelona | fair 24 | Cape Town | sun 21 | Edinburgh | rain 18 | Jersey | shower 18 | Munich | rain 22 | Tel Aviv | sun 34 |
| | | | | | | Karachi | fair 36 | Nairobi | fair 24 | Tokyo | rain 22 |
| | | | | | | Kuwait | sun 45 | Naples | fair 26 | Toronto | thund 25 |
| | | | | | | L. Angeles | fair 24 | Nassau | shower 31 | Vancouver | fair 19 |
| | | | | | | Las Palmas | fair 26 | New York | sun 29 | Venice | shower 23 |
| | | | | | | Lima | fair 26 | Nice | fair 26 | Vienna | rain 19 |
| | | | | | | Lisbon | sun 23 | Nicosia | sun 35 | Warsaw | cloudy 21 |
| | | | | | | London | shower 18 | Oslo | cloudy 20 | Washington | sun 32 |
| | | | | | | Lux.bourg | shower 15 | Paris | cloudy 19 | Wellington | fair 13 |
| | | | | | | Lyon | fair 23 | Perth | rain 20 | Winnipeg | rain 22 |
| | | | | | | Madeira | fair 22 | Prague | rain 20 | Zurich | shower 18 |

FINANCIAL TIMES
# COMPANIES & MARKETS
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## IN BRIEF

### FCC head rules out AT&T merger

Mr Reed Hundt, chairman of the Federal Communications Commission, came out strongly against the possibility of a merger between AT&T and one of America's big regional telephone companies, calling such a combination "unthinkable". Page 16

**European farmers 'face subsidy cuts'**
The EU agriculture commissioner will today warn European farmers of cuts in subsidies. A speech to the Centre for European Policy Studies will outline the reforms of the forthcoming Common Agricultural Policy. Page 24

**EMI set to cut 120 US jobs**
EMI Group is poised to announce more than 120 job losses at its New York-based record labels in the second phase of the rationalisation of its troubled US music business. Page 21

**SBI rises 60% despite slow market**
State Bank of India, tha country's largest commercial bank, posted net profits for the year to March up 60 per cent to Rs13.29bn ($371m), in spite of a depressed market for credit. Page 18

**Safeway moves into N Ireland**
Safeway became the third big food retailer to enter tha Northern Irish market, agreeing a joint venture with Fitzwilton Group. Page 21

**CompuServe losses deepen**
H&R Block, which holds an 80 per cent stake in CompuServe, said it remained determined to spin off the struggling online service operator despite the unit's fall in to deep losses. Page 18

**Corporación Geo wins foreign funding**
Corporación Geo, tha low-income housing developer, became the latest Mexican real estate company to win international financing, when it completed a $67m global equity issue. Page 20

**ABN Amro promotes 'euro' image**
ABN Amro, the Dutch bank, is vigorously promoting itself in the Asia-Pacific region as the "euro" bank in a move to capitalise on the planned introduction of the single European currency in 1999. Page 17

**Companies in this issue**



**Market Statistics** http://www.FT.com



**Chief price changes yesterday**

| | | | |
|---|---|---|---|
| **FRANKFURT (DM)** | | | |
| **Rises** | | | |
| Allianz | 1850 | + | 80 |
| DLW | 188.50 | + | 15.50 |
| Hochtief | 84.80 | + | 6.50 |
| SAP | 336.80 | + | 13.80 |
| **Falls** | | | |
| Deut. Babcock | 100 | – | 7 |
| Mannheim | 875 | – | 15 |
| **NEW YORK ($)** | | | |
| **Rises** | | | |
| CR Bard | 36½ | + | 2¾ |
| Mastec | 47¼ | + | 2¾ |
| Templtn Russia | 38¾ | + | 2½ |
| **Falls** | | | |
| Ciber | 32¾ | – | 4¼ |
| Cross Cont. | 8¼ | – | 2¾ |
| NGC | 15½ | – | 1¾ |
| **LONDON (Pence)** | | | |
| **Rises** | | | |
| Appld Holographs | 63½ | + | 6 |
| Metrotec | 35¼ | + | 3 |
| Symonds | 38½ | + | 5 |
| **Falls** | | | |
| BSkyB | 508 | – | 13½ |
| Datrontech | 123½ | – | 19 |
| McDonnell Info | 28 | – | 6 |
| **TORONTO (C$)** | | | |
| **Rises** | | | |
| Colony Pac | 2.80 | + | 0.50 |
| Labopharm | 4.50 | + | 0.80 |
| Utd Grain | 15.35 | + | 1.45 |
| **Falls** | | | |
| Inverpower | 4.00 | – | 0.50 |
| Lindsey Morden | 13.05 | – | 1.95 |
| Tecmar Tech | 2.10 | – | 0.35 |

| | | | |
|---|---|---|---|
| **PARIS (FFr)** | | | |
| **Rises** | | | |
| Bertrand Faure | 329 | + | 12 |
| Vallourec | 370 | + | 8.30 |
| **Falls** | | | |
| Christian Dior | 912 | – | 15 |
| LVMH | 1461 | – | 46 |
| Peugeot | 587 | – | 12 |
| Usinor Sacil. | 97.60 | – | 1.80 |
| **TOKYO (Yen)** | | | |
| **Rises** | | | |
| Canon | 3050 | + | 50 |
| Kokuyo | 3000 | + | 50 |
| Orient Corp | 487 | + | 26 |
| Shiseido | 1840 | + | 60 |
| **Falls** | | | |
| Fuji Film | 4430 | – | 100 |
| Honda | 3240 | – | 100 |
| **HONG KONG (HK$)** | | | |
| **Rises** | | | |
| Amoy Props | 8.10 | + | 0.25 |
| Bk of E Asia | 29 | + | 0.85 |
| First Pacific | 9.85 | + | 0.35 |
| Hopewell | 4.35 | + | 0.25 |
| Sino Dev | 8.55 | + | 0.15 |
| **Falls** | | | |
| Shaw Bros | 8.30 | – | 0.10 |
| **BANGKOK (Baht)** | | | |
| **Rises** | | | |
| Compass East | 108.00 | + | 9.00 |
| Nation Multime | 45.00 | + | 4.00 |
| Oriental | 118.00 | + | 10.00 |
| **Falls** | | | |
| Banpu | 216.00 | – | 22.00 |
| Thai Stnly El | 54.00 | – | 5.00 |
| The Manager | 65.00 | – | 7.00 |

New York & Toronto prices at 12.30.

French group now largest shareholder in parties to planned merger

# LVMH in GrandMet move

By David Owen in Paris and Ross Tieman in London

LVMH yesterday raised the stakes in the battle over the proposed £23.8bn merger of the UK's Grand Metropolitan and Guinness, paying £792m for 125.75m GrandMet shares.

The purchase, mainly at a price of 630p a share, lifted the French luxury goods group's holding in the UK food and drinks group from 0.3 per cent to 6.29 per cent. It makes LVMH, which owns 14 per cent of Guinness to underpin a Guinness/LVMH joint venture in drinks distribution, the largest shareholder in both prospective merger partners.

The move appeared to increase the likelihood that shareholders of the two UK companies might eventually be given a choice between the merger on the table and an idea favoured by Mr Bernard Arnault, LVMH's chairman, to merge the drinks interests of all three companies and spin off Grand Met's food businesses.

By lifting LVMH's GrandMet stake to 10 per cent, as some observers expect him to do, Mr Arnault could convene an extraordinary meeting and put his proposals to the UK group's shareholders. Alternatively, the deal could be blocked outright if 25 per cent of the shares voted at a court-convened meeting oppose it.

Some of the GrandMet shares changing hands yesterday were sold by Mercury Asset Management, the UK fund manager, which, as of May 15, was among the UK group's largest shareholders with almost 107m shares, equivalent to 5.06 per cent.

Broker BZW was reported to be bidding in the market for up to 10 per cent of GrandMet's stock. GrandMet shares closed up 17.5p at 603.5p while Guinness closed up 15p at 605p.

The share raid came on the eve of announcements expected today from the Federal Trade Commission and the European Commission that they intend to investigate the planned merger.

Some GrandMet shareholders yesterday indicated they would be happy to examine any alternative proposals that might be put forward by Mr Arnault.

One of the UK group's largest shareholders said: "Shareholders are very pleased to see the suggestion of a merger in international spirits because of the opportunity for cost savings. But if there was an alternative proposal... people would look at it."

GrandMet yesterday said it continued to believe the merger proposals with Guinness were in the interests of all shareholders.

LVMH shareholders yesterday expressed their displeasure at Mr Arnault's latest move, sending the shares tumbling 2.46 per cent on the Paris Bourse.

Lex, Page 14

# Opel chairman defends role in GM's strategy

By Andrew Fisher in Frankfurt

The chairman of Adam Opel, yesterday hit back at critics of the role it was playing in the global strategy of General Motors, its US parent.

Mr David Herman defended Opel's foreign expansion, saying the globalisation of the Opel marque was now vital as western European markets become saturated and facing over capacity.

He also said Opel would bring out 26 new models and model variations by the end of 2001 and was raising investments this year by 50 per cent, DM2bn ($1.10bn).

His comments came as Opel reported a 19 per cent rise in pre-tax profits last year to DM477m. Net income, however, was 13.5 per cent lower at DM314m because of higher taxes. Turnover rose 9 per cent to DM28.3bn, with the share from non-German markets at 55.7 per cent.

Mr Herman, responded to recent criticisms about Opel's loss of market share, alleged quality problems and personnel discontent. Trade union representatives have expressed concern over possible job losses of up to 10,000 in the coming years.

He said he failed to understand why GM, the biggest foreign investor in Germany, should be judged so harshly in the debate over globalisation. This was a reaction to suggestions that GM was more concerned with advancing its own international plans.

Opel is involved in four new GM plants which will start production by 2001. These are in Argentina, Poland, Thailand and Brazil. Opel is also in negotiations on plants in north-west Russia, Ukraine and southern China.

In its main markets of Germany and western Europe, Mr Herman expected Opel to maintain market share as demand edged up. But competition would remain intense and growth modest.

Mr Herman said the German market had fallen 5 per cent in the first five months of this year, with volume producers such as Volkswagen, Ford and Opel all similarly hit. Competition had become tougher, especially from imports.

Opel was also affected by the fact that the Astra, its biggest selling model, was now in its last production year.

Mr Herman said Opel's western European market share slipped from 12.4 per cent to 11.8 per cent in the January-May period, with new registrations down nearly 5 per cent at 690,000.

He declined to comment on possible job losses, but said Opel would have to analyse over-capacity in the European industry and act accordingly.

VW upbeat, Page 17

Fighting back: David Herman at the press conference in Frankfurt yesterday Picture: Reuter

# Unruh to quit after leading recovery at Unisys

By Louise Kehoe in San Francisco

Mr James Unruh is to resign as chairman and chief executive of Unisys after seven years at the helm of the often troubled US computer group.

His resignation, effective when a successor is found, comes after six successive quarters of improved financial performance at Unisys. Mr Unruh acknowledged yesterday that Unisys still faced challenges. "The job is not done, but Unisys is in a different phase [of its recovery]," he said.

He will participate in the search for a new chief executive and remain chairman until April 1998. The goal, he said, was to achieve a smooth transition.

Mr Unruh took over in 1990, four years after the company was formed by the merger of Burroughs and Sperry, two early computer manufacturers. He replaced Mr Michael Blumenthal, former chairman of Burroughs and architect of the merger, who had plans to build Unisys into a $20bn company.

However, by the time Mr Unruh arrived Unisys was reeling with heavy losses and declining revenues. It also had debts of more than $4bn from the merger. Mr Unruh said Unisys had been a company with "a business portfolio that was declining and a very difficult financial situation".

The task had been to reinvent the company, build a new business portfolio, restructure the organisation and drastically cut costs. "It was a matter of lifting the radiator cap and building a new car," Mr Unruh said.

"I think we have made a great deal of progress toward achieving a turnaround."

Unisys's directors said in a unanimous statement: "Under Jim's leadership, we have transformed and repositioned Unisys from a mainframe computer company into a balanced business better able to compete and grow. Through a difficult and wrenching period, Jim has achieved much in charting and changing the course of this great enterprise."

Mr Unruh said of his next move: "Leading another company is one possibility, but there may be others."

# Saudi prince could channel $1bn into African projects

By Joel Kibazo

A Saudi Arabian investor noted for his stakes in international companies such as Euro Disney and CitiCorp, is seeking significant investments in sub-Saharan Africa.

Prince Al Waleed Bin Talal Bin Abdulaziz Al Saud is understood to be negotiating to acquire a 30 per cent controlling stake in Ghana's state-owned National Investment Bank, currently valued at a relatively modest $20m.

Over the next five years, the Saudi investor, viewed by some observers as one of the world's shrewdest businessmen, could channel up to $1bn into African projects, reflecting a revival of interest by foreign investors in the continent.

In spite of political turmoil in Congo (formerly Zaire), the economic prospects of several other countries are beginning to improve after years of austerity.

The prince's US-based Saudi Africa Group will manage his African investments, but he is understood to be in discussions with Mr Kofi Bucknor, a Ghanaian, to assist him. Mr Bucknor, the former treasurer of the African Development Bank, was until recently executiva director for Africa at Lehman Brothers, the US investment bank. He has also worked with Chemical bank on Wall Street.

Speaking on the behalf of Prince Al Waleed, Mr Faissal Fahad, a director of the Saudi Africa Group, said: "The prince believes the atmosphere in Africa today is conduciva to investment. Our research shows there are golden opportunities."

The government of Ghana is aware of the Prince's interest and Mr Dan Abodakpi, the deputy minister of trade, said: "We shall facilitate his entry into Ghana in whatever sector he wishes to invest."

According to Mr Fahad, Prince Al Waleed is also reviewing opportunities in Zimbabwe, the first country he visited in Africa in 1984, and Eritrea. While concentrating on the financial sector, the prince will also look at agriculture, telecommunications and the drinks sector.

The prince is separately bidding for the bulk of Lonrho's Princess resort hotels. He also has investments in Trans World Airlines (TWA) and Canary Wharf, the London office complex.

# SBC in $500m video retreat

By Richard Waters in New York

The retreat by US telephone companies from providing video and other services that rely on new broadband networks continued yesterday as SBC Communications, the country's biggest local telecoms company, revealed a $500m withdrawal.

The move came as the Baby Bell announced charges of between $1.9bn and $2.3bn in order to prepare itself better for deregulation in the US's telecommunications market. Also yesterday, the country's top telecoms regulator poured cold water on the reported plans for a merger between SBC and AT&T. Though not naming SBC, Mr Reed Hundt said that such a combination was "unthinkable."

SBC's retreat from video services echoes the failure of many of the ambitious plans hatched by telephone companies in the early 1990s. At the time, these were seen as a way of entering the cable television business, particularly through the development of interactive services like home shopping.

Such systems have proved time-consuming and expensive to build.

Yesterday, SBC said it would scrap a broadband video trial in Texas, and halt construction of a part-fiber optic, part-coaxial network under construction in Southern California.

It also said it had "substantially scaled back" its involvement in Tele-TV, a joint venture with two other Baby Bells, and was trying to "redefine" its role in a second joint venture, Americast. Taken together, these steps would wipe $500m from its after-tax profits this quarter, the company said.

SBC also announced after-tax charges of $1bn to cover the costs of its April merger with PacTel. The rest of the $1.9bn-2.3bn reflected what it called "regulatory rulings", including price caps.

Taken together, the changes would lift after-tax profits by $1bn a year by 2000, the company predicted.

Merger blow, Page 16

# FCC hits at AT&T merger

By Richard Waters in New York

Mr Reed Hundt, chairman of the Federal Communications Commission, yesterday came out strongly against the possibility of a merger between AT&T and one of the country's big regional telephone companies, calling such a combination "unthinkable".

His comments, in a speech to the Brookings Institution, seemed designed to head off the reported merger talks between AT&T and SBC Communications – a combination that would represent the biggest corporate combination ever.

Though Mr Hundt will shortly step down from the FCC, his successor would have the power to block a merger if it were judged anti-competitive. Most analysts and investment bankers on Wall Street have given AT&T and SBC no more than a 50-50 chance of winning regulatory approval for a deal.

Mr Hundt did not comment directly on AT&T and SBC's reported plans, but said he was responding to a speech last week by Mr Robert Allen, AT&T chairman.

Mr Allen had called a merger between his company and one of the local telephone companies, or Baby Bells, "thinkable" provided it helped make the US telecoms industry more competitive.

In the latest round of shadow-boxing over an AT&T-SBC merger, Mr Hundt said he was "trying to give clear guidance to firms about what mergers are unthinkable and what are thinkable in the new world of open communications markets."

He added that a protracted debate over whether a merger should be allowed would tie up the companies involved in regulatory and legalistic red tape, leading to "a state of suspended animation" when competition should be breaking out.

The FCC chairman said it was "natural" and "unsurprising" for the deregulation of the US telephone industry – sparked by last year's Telecommunications Act – to prompt companies to consider giant mergers.

However, he added that bringing together one of the Baby Bells, which typically garner 60 per cent of all spending on telecoms in their regions, and AT&T, which accounts for another 20 per cent, would be "unthinkable".

Such a merger would also prevent the Baby Bell from competing for AT&T's long-distance customers, and AT&T from trying to lure the Bell's local customers.

# CompuServe losses deepen

By Louise Kehoe in San Francisco

H&R Block, which holds an 80 per cent stake in CompuServe, said it remained determined to spin off the struggling online service operator despite the unit's slump to deep losses in the fiscal fourth quarter.

CompuServe, the second largest computer online information service, reported wider than expected losses for the quarter and a decline in the number of US subscribers.

Analysts said the drop in CompuServe's US subscriber base, which has fallen 25 per cent over the past year to 1.53m, would make it more difficult for H&R Block to find a buyer.

CompuServe's declins comes as rival America Online adds new subscribers, after a temporary moratorium owing to problems associated with overloading on its networks.

AOL now has more than 8m subscribers.

CompuServe, founded in 1969 and one of the most long-standing online information services, also faces mounting competition from internet service providers which offer direct links to the global information and communications network.

CompuServe said it lost $18m, or 19 cents a share, in the quarter ended April 30.

In the same period last year the company reported a loss of $1.1m, or 2 cents a share. Revenues for the quarter fell to $208m from $215m.

The results were reported after the close of trading on Wednesday.

The latest figures included special charges of $9.2m related to consolidation of operations and the sale or write-down of investments in providers of content and technologies.

"Overall, we made progress toward our goal of stablising earnings and returning CompuServe to profit," said Mr Frank Salizzoni, CompuServe chairman, who is also chief executive of H&R Block.

CompuServe aims to achievs break even in the second half of the new fiscal year, he added.

For ths full fiscal year, CompuServe reported a loss of $119.8m, or $1.29 a share, on revennes of $842m.

This compared with a year-ago profit of $49.1m, or 66 cents a share, on revennes of $793m.

Mr Salizzoni acknowledged that the continued decline in US subscribers was disappointing.

CompuServe's shares were trading at $10$\frac{1}{16}$ in mid session yesterday, down $\frac{1}{16}$ from the Wednesday close.

# Triton looks at listing in London, Asia

By Robert Corzine

Triton, the US oil explorer which has adopted a Cayman Islands base, is considering a London or Asian listing to supplement its New York quotation.

Mr Tom Frink, chairman and chief executive, said the group was contemplating a London listing as a way of expanding its base of long-term shareholders. He said Triton's activities, which are entirely outside the US, were concentrated in areas familiar to UK oil sector investors and analysts.

Triton, which had a recent market capitalisation of between $1.6bn and $2.1bn, discovered the giant Cusiana and Cupiagua oil fields in Colombia, which are being developed by BP.

But Mr Frink said no decision had yet been made on whether to list in London. "Is this market ready for oils like ourselves?" he asked.

Unlike some of the larger UK independents, Triton does not pay a dividend. Mr Frink also wondered whether Triton would be taken seriously by UK investors and analysts.

The ownership of exploration and prodnction companies tends to be concentrated in their home markets. This contrasts with the big integrated oil companies, which are often viewed by institutional investors as a single group from which to select stocks.

A number of independents have recently promoted themselves as being more development and production companies than explorers, but Triton remains focused on finding big oil fields.

Its exploration strategy is based on two or three specific geological ideas which dictate where the company operates.

"As an exciting explorer we'll drill a lot of dry holes," he said. "We're looking for investors who have a stomach for it."

Triton is also considering a listing in Asia – where it has made a string of discoveries in the joint development area designated by Thailand and Malaysia in the Gulf of Thailand – and in China and Indonesia. Mr Frink said there was strong demand from Asian investors for shares in oil companies operating in the region.

Triton has had a chequered financial history, but Mr Frink said recent developments, such as in Colombia, signalled a period of rapid growth. The company has developed only 8 per cent of its resource base of 836m barrels of oil equivalent including natural gas, and is preparing for big casb flow growth as the Colombian fields move to peak production.

Mr Frink said a spate of guerrilla attacks and intimidation at the Cupiagua field had set back the development by several months, but that operations there were returning to normal.

Two years ago Triton funded its share of the cost of developing the two Colombian fields by selling oil in the ground forward at $12 a barrel. Mr Frink said he saw more scope for using derivatives markets and bonds to fund oil fields and pipeline projects.

## AMERICAS NEWS DIGEST

### Bay Networks to buy Rapid City

Bay Networks, one of the leading manufacturers of computer networking equipment, is to acquire Rapid City Communications, continuing a trend of rapid consolidation in the networking industry through mergers and acquisitions. Bay said it would pay approximately $155m, in stock, for the privately-held Silicon Valley company which specialises in "gigabit Ethernet" equipment for very high speed corporate networks. Bay expects to recognise the acquisition price as a one-time charge.

The market for gigabit Ethernet equipment is expected to grow from about $67m this year to $980m by 2000, according to industry analysts. The acquisition of Rapid City Communications and its high speed network technologies was consistent with Bay Networks' strategy of providing technology to make networks "invisible to the user, painless to the network manager, and strategic to the business," said Mr David House, Bay chairman and chief executive.

*Louise Kehoe, San Francisco*

### Exxon to appeal Valdez ruling

Exxon said yesterday it would appeal a $5bn January judgment against the company for the 1989 Valdez oil spill. Exxon said it would base its appeal on juror misconduct, jury instructions, compensatory damage errors and what it referred to as the "excessiveness" of punitive damages in the case. The Valdez spill, the largest oil spill in US waters, dumped 35,000 metric tonnes of crude into the Prince William Sound on Good Friday 1989.

Exxon said it had submitted an appellate brief of its case to the US Court of Appeals for the Ninth Circuit, listing 11 legal issues. The filing follows the company's February filing of a notice that it would appeal the judgment. "Exxon has consistently maintained that the punitive damages in this case are unwarranted and excessive," said Mr Lee Raymond, Exxon Chairman. "We believe this judgement should be set aside or substantially reduced by the sppellate courts."

*Reuter, New York*

### Levi Strauss in Croatia deal

Croatia's largest textile firm, Varteks Denim, yesterday signed an agreement with US clothing giant Levi Strauss & Co on extending its manufacturing licence for another five years, Croatian radio said. Mr Andjelko Herjavec, Varteks general manager, and Mr Davor Darabos Varteks, Denim director, undertook a commitment to fully privatise the firm by the end of 1998, the radio said.

Levi Strauss earlier threatened to withdraw the licence because of the firm's unresolved ownership structure. Varteks Denim's current licence expires on June 30. More than one half of the concern's basic capital – some 300m kuna (DM81m) – is still state-owned. The company has a licence to produce all Levi's products except its "501" jeans.

*Reuter, Zagreb*





# Taskforce tackling a culture clash

## Merger of Marsh & McLennan and Johnson & Higgins may prove benchmark

Marsh & McLennan, now the world's biggest insurance broking group, has assembled a huge taskforce to merge its business with that of rival broker Johnson & Higgins.

Analysts say this merger, more than any other in insurance broking, may be the benchmark for the benefits of consolidation in the industry. Especially under the spotlight are the potential clashes in in corporate culture that could emerge through combining Marsh, a quoted company, with J&H, still a partnership.

The next few months will be critical, for whils the planned reduction in staff of up to 1,000 jobs is less than some bad predicted, the group may find it hard to hold on to its best employees as it forges a merged group.

Three months after buying Johnson & Higgins for $1.8bn, Mr Ian Smith, chairman of Marsh & McLennan, says integration has begun in earnest. A taskforce comprising 34 separate committees has been set up and is identifying who stays and who goes. Each committee has joint chairmen from both brokers.

Mr Smith argues that the companies' complementary business mix has smoothed integration. "We've discovered that there's a balance between us in areas where we are strong. They havs strong construction and healthcare practices and we are strong in marine, energy and aviation."

Marsh & McLennan plans to reduce costs by $150m, although not all of this will come from cutting employee numbers. Together they had 150 offices around the world in more than 100 countries and property savings will be "significant", says Mr Smith. Consolidating technology investment should also save money.

However, analysts warn the real risk is losing staff – and hence customers. Insurance broking is a "people" business where the assets are typically intellectual, and income tends to depend heavily on personal relationships with customers. Such a risk was illustrated by the messy merger between the UK'a Willis Faber and Corroon & Black of the US in 1990; although this gave Willis a bigger presence in the US, the advantage was eroded after the defection of staff to a competing broker.

With Johnson & Higgins, more than 150 years of gentlemanly mystique will be stripped away. Many of its senior staff, some of whom were probably close to the big financial rewards of partnership, must accept that thsy may never join thet elite club.

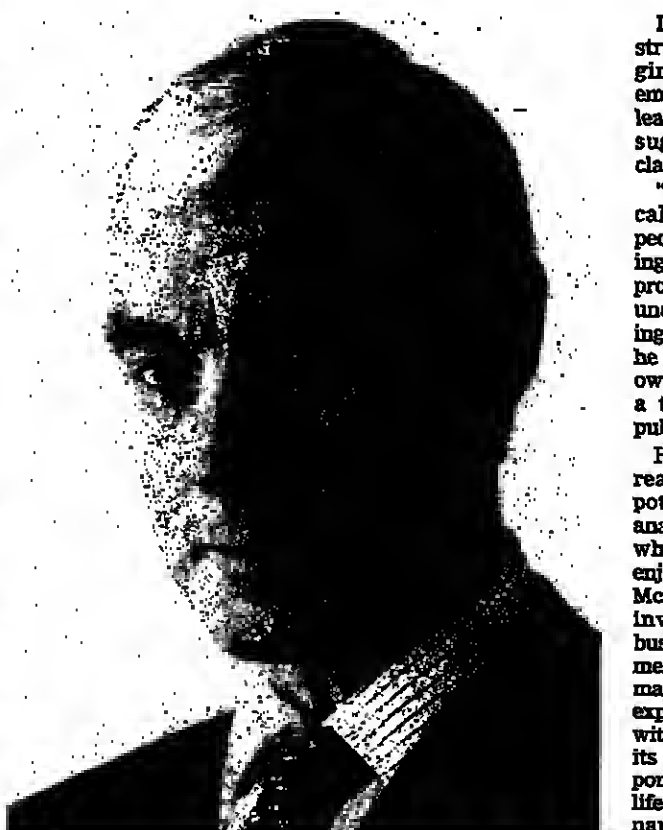
As a privately-owned partnership, there are few financial details, bnt plenty of anecdotes. A book sbout the company published two years ago portrays past presidents as American aristocracy.

Much has changed, however, in the insurance broking industry in the decades since the young men of Johnson & Higgins walked the streets of lower Manhattan in Chesterfield coats and homburgs, ferrying documents from a building on Wall Street remembered now for its "shabby gentility".

Traditional markets like marine insurance, which for decades were the lifeblood of brokers and underwriters around the world, have become fiercely competitive. Many big multinationals have set up their own companies to take on the risks they face. Brokers are also having to rely less on commission from single transactions and more on fee-based consultancy.

"Top line growth has been hard to come by in recent years, so some brokers have merged to generate it," says Mr John Kriz, managing director of insurance at Moody's investors Service. "Costs have also become an issue, particularly in information technology."

Johnson & Higgins kept pace better than some of its competitors. It had a consultancy business and a strong customer base among the biggest US companies. Revenue last year totalled $1.2bn and analysts say it was more profitabls and stronger in the US than rival brokerage Alexander & Alexandsr, which was bought by Aon, another acquisitive broker, for $1.23bn earlier this year.



earnest'

Despite the ownership structure of Johnson & Higgins and the risk that employees might choose to leave, Mr Smith rejects any suggestion of a culture clash.

"I hear this said periodically and wonder what people mean, because broking is about people bringing professional expertise and an unqualified integrity in serving the client. That applies, he says, whether a firm is owned by senior members or a third party such as the public.

He argues that the main reasoo for msrging was potential for growth, and analysts agree that this is where the merger could enjoy most success. Marsh & McLennan has a strong invsstment management business in Putnam investments, its Boston-based fund manager which is currently expanding swiftly overseas, with joint ventures such as its recent alliance with Nippon Life, the world's largest life assurance company. Putnam is by far the main driver behind donble-digit earnings growth, but the company has yet to blur the edges between broking and other financial services.

This could be due to change: "They [Putnam] have a big institutional investment management business," Mr Smith points out. "They sell to large corporations and that's the principal audience of our broking and consulting business. We believs we can make a lot more of that if we emphasise co-operation."

**John Authers and Christopher Adams**

# Citibank's Siembra deal

Citibank's local unit has raised its stake in Argentine pension and insurance group Siembra to 100 per cent, after buying a remaining 51 per cent stake for $230m-$250m, Reuter reports from Buenos Aires.

Mr Carlos Fedrigotti, Citibank Argentina president, said the vendor was the local Banco Rio de la Plata, which is now controlled by Spain's Banco Santander.

The Siembra group comprises pension fund firm Siembra, insurer Sur Compania de Seguros de Vida and retirement insurance company Siembra Compania de Seguros de Retiro.

Part of the acquisition – that of the pension fund – will raquire government approval, said Mr Fedrigotti.

The purchase is the result of Banco Santander's purchase of 35 per cent of Banco Rio de la Plata for $690m. That gave Santander significant stakes in two of Argentina's biggest pension funds: Siembra and Origenes.

"Everyone agreed this was the best way to resolve Santander's overlapping stakes," Mr Fedrigotti said. He added that it formed part of Citibank's strategy of expanding around Latin America and into sectors that dovetail with its core banking business.

Citibank has a growing presence in the insurance and pension fund markets of Colombia, Peru, Mexico, Chile and Uruguay, according to Mr Ricardo Zavala, hesd of the bank's Latin American pension division.

The three Siembra companies havs a combined book value of $60m to $70m, said Mr Ricardo Guitart, Siembra general manager.

The retirement insurance unit has 45,000 clients, while 1.7m people are covered by the life assurance policies of Sur, Mr Guitart said.

According to government figures, the Siembra pension fund at April 30 was the fourth-largest private pension fund management company in Argentina in terms of contributors, with 742,626 workers paying into the company monthly. With $946.8m under management, it was the third largest in terms of funds.

Fedrigotti declined to comment oo speculation that Citibank was negotiating to buy a stake in an Argentine bank.

# ABN Amro promotes its 'euro' image

By James Kynge in Singapore

ABN Amro, the Dutch bank, is vigorously promoting itself in the Asia-Pacific region as the "euro" bank, in a move to capitalise on the planned introduction of the single European currency in 1999.

Mr P.J. Kalff, chairman, who opened the bank's new Asia-Pacific headquarters in Singapore yesterday, said Asian customers would come to identify the bank with the euro currency. ABN Amro is to spen about US$300m on promoting he currency and altering its computer systems to accommodate it beore January 1 1999.

It as already spent "tens of millions in roadshows over the past sevel months to most large Asian centes. The currency will be in demand not only from Asian corporatios trading with Europe, but also om central banks which will cometo regard the euro as a stable resere currency, Mr Kalff said.

"I hink that after a couple of years [from 1999] the euro could become the number two reserve currency, overtaking the yen," Mr Kalff said. This opinion, he added, had been formed after discussions with Asian cental bankers.

"We expect to gain a larger market share in the Asia-Pacific region through the introduction of the euro," he said.

Other banks, such as Standard Chartered, the UK-based bsnk, have also been holding roadshows on the euro in Asia, in a sign that competition to exploit opportunities arising from the euro's introduction is intensifying.

ABN Amro used to have two regional headquarters in Asia, in Hong Kong and in Singapore. The consolidation into Singapore is aimed st streamlining operations for efficiency, and was not motivated by political considerations linked to Hong Kong's return to China at the end of the month, said Mr Ton de Boer, chief executive officer, Asia-Pacific.

Currency dealing capacity at the new office has been expanded, said Mr de Boer. The bank now has 140 dealing positions and 90 traders, giving it one of the largest dealing presences in Singapore.

Part of the reason for the expansion has been the increased interest in Asian "exotics" (the Thai baht, Malaysian ringgit, Indonesian rupiah and others) currency trade.

Some 15-20 per cent of the bank's dealing volume is proprietary trading.

# Enel chief tests limits of corporate Italy

Barely a year after being appointed chief executive of Enel, Italy'a huge state electricity utility, Mr Franco Tato has lit a fuse under the country's power and telecommunications industries.

In the absence of political consensus on the liberalisation and privatisation of the electricity industry, Mr Tato has implemented a controversial strategy involving a sweeping internal reorganisation, diversification into new businesses (including telecoms, wsste management and public lighting) and a series of domestic and internstional alliances to position Enel for European electricity liberalisation in 1999.

In so doing, he is treading on many political and corporate toes. Bot the former chlef execntive of the Mondadori publishing group and former Olivetti senior executive argues he has little option. Enel will have to shed its monopoly and adapt to European Union libersllsation – however uncomfortable this may be for Italian vested interests.

Enel, the world's second-largest electricity company in terms of installed power – or generating capacity – has long been at the heart of Italy's public sector system of political and economic patronage. When Mr Tato took over last July, Enel employed nearly 100,000 people. By the end of April 1997, the numbers were down to 90,606. Desplte many fins words and government commitments on the future of the industry – Enel was originaly due to be privatised in 1995 – all the political parties have been dragging thir feet.

"The reason is quite simple," explains an Italian electricity official. "Enel's weight in te national and regional economies is such that all thi political parties from right o left at national and local lvel would prefer to maintainthe status quo."

Under th EU's liberalisation programme, Italy will have to open 30 per cent of its electricit market to competition. A present Enel, with 55,000MW of installed power, supplies 84 per cent of domesticdemand. At the same time, Enel would have to turn overits transmission sctivities tc an independent system operator, providing access to th grid to all competing powe companies.

Mr Tato'sstrategy aims to produce grater value for shareholdes – at present the only sharehoIder is the Treasury – and exploit the group's extnsive assets and past invesments. He has restructure Enel around its three core businesses – power generation, transmission and distribution – and set up a seies of other business groups to work in partnership wih other companies. These would include telecoms, egineering, waste managemeit and information technoogy. The purpose is to transform Enel into a holding company with a range of searate electricity and diversified businesses.

But Mr Tato's move into telecoms anl a series of new alliances in power has provoked fierce opposition. The unions have attacked what they regard as the break-up, or "spezzatino", of the utility and the implications for jobs. Although the centre-left government of Mr Romano Prodi is committed to privatising Enel, it is under pressure from the Refounded Communists, on whose support it depends in parliament, to maintain this strategic asset in state hands. So far, no date has been set for the privetisation, but it is unlikely before next spring at the earliest. And large private companies have charged Enel of abusing its dominant position to create new monopolies at their expense.

Franco Tato: move inin telecoms and alliances in power has provoked fierce opposition

Mr Tato has already reached preliminary agreements to create a new Italian power generating company in partnership with Eni, the state-controlled oil and gas group, and a similar venture with Enron, the US energy group. Enel says it is negotiating two other similar partnerships. These new power ventures, each with around 5,000MW of installed power, would enable Enel to transfer existing assets, which it would otherwise be forced to shut down when it eventually loses its monopoly, into new listed companies to realise their value.

The new Enel-Eni venture, which Mr Tato says he plans to list in New York, has sparked the fiercest controversy and is already being scrutinised by the Italian antitrust authorities and the electricity regulators. Private power companies, led by Edison, which is part of the private Montedison-Compart group, have complained that two of Itsly's biggest state-controlled monopolies are now joining forces to form a new monopoly.

But Enel has retorted that these private companies, which between them account for about 8,000MW of capacity, are trying to defend their own protected and subsidised market. Enel, which is currently obliged to scquire power from these smaller producers at an inflated price as part of an earlier government policy to encourage renewable energy sources in Italy, argues that they would prefer to see Enel forced to shut down production to meet the EU liberalisation rules. This would then enable them to pick up Enel plants at bargain prices.

Mr Tato's declsion to branch into telecoms has provoked an equally noisy storm. Enel has joined forces with Deutsche Telekom to exploit its extensive in-house fixed-line and mobile telephone assets, and bid for the contract to operate Italy's third cellular phone network. Already Enel is under public attack from its prospective competitors and the two existing mobile phone operators – state-controlled TIM and Olivetti-controlled Omnitel.

TIM has complained that if Deutsche Telekom is allowed to enter the fast-growing Italian cellular phone market, the state-controlled group should be given reciprocal access to Germany.

Enel's main competitor for the third mobile licence – a consortium grouping British Telecom and the Mediaset television group, controlled by former prime minister Mr Silvio Berlusconi, which is expected to be joined by Eni – has argued that sn Enel-Deutsche Telekom bid would lead to a conflict of interest for the Treasury, Enel's sole shareholder and one of the adjudicators for the winning bid.

Mr Tato seems to thrive on all this controversy; he makes no secret that he is testing the Italian system to its limits. In the absence of clear-cnt guidelines on deregulation and privatisation, he has decided to make the running.

His task is to build up shareholder value, and when the phone eventually rings on his desk and the Treasury finally announces it plans to float a chunk of Enel, the utility will at least be in better shape to attract international interest.

**Paul Betts**

## EUROPEAN NEWS DIGEST

## Suez-Lyonnaise clears last hurdle

Shareholders in Lyonnaise des Eaux, the French utilities group, yesterday approved by o majority of 99.88 per cent the proposed merger with Suez, the French bolding company, clearing the final hurdle for the creation of the combined group. Suez Lyonnaise des Eaux, as it will initially be called, has forecast net income of more than FFr3.5bn ($601m) for 1997, and n doubling of its earnings per share over the next five years.

The new group has a 20-strong supervisory board chaired by Mr Jérôme Monod, head of Lyonnaise, with three sub-committees: for audit, ethics, and remuneration and nominations. It has a four-member executive committee, comprising two members from each of the two groups, and chaired by Mr Gérard Mestrallet, head of Suez. It relterated yesterday it would concentrate its development in four areas – energy, water, environmental services and communications – which already represent 60 per cent of its assets and 85 per cent of operating profit. Suez shareholders formally approved the merger, by 99.94 per cent, st their annual general meeting last week. They will receive 20 Lyonnaise shares for every 41 Suez shares currently held. *Andrew Jack, Paris*

## Holland Media loses chief

Holland Media Group, the Netherlands' largest commercial broadcaster, was shaken yesterday by the departure of Mr Huih Boermans, chairman. He is understood to have agreed severance terms with VNU, the related publishing group that appointed him. Mr Boermans was suspended last month amid allegations that he and two fellow HMG directors had engaged in unauthorised dealings involving s private company they controlled. VNU owns 38 per cent of RTL4, the Netherlands's most popular channel.

*Gordon Cramb, Amsterdam*

## VW reiterates upbeat forecast

Volkswagen, Europe's largest carmaker, yesterday reiterated its upbeat forecast for the year, saying it expected 1997 earnings to rise for the fourth consecutive year. In 1996, VW's net profit more than doubled, from DM336m in 1995 to DM678m ($393m). Speaking at the annual shareholder meeting, Mr Ferdinand Piëch, chairman, sounded only one note of caution, saying there were always risks related to the launch of new products.

The company said unit sales in Germany for the first five months of ths year fell 10.8 per cent from a year ago. Domestic customers may be delaying purchases, awaiting the introduction of VW's updated Golf at the Frankfurt motor show in September, the company suggested. Worldwide sales remained strong, however. Unit sales in eastern Europe surged 34 per cent in the first five months of the year to 117,000 units. In North America, sales were up 18 per cent to 105,000 units, and sales in Asia-Pacific rose 21 per cent to 159,000. Unit sales in all of western Europe edged up just 2.6 per cent in the first five months, to 1.06m units. *AP-DJ, Hamburg*

## Sandvik buys US tool maker

Sandvik, the Swedish engineer, has agreed to acquire Precision Twist Drill, the US tool maker, one of the world's leading makers of twist drills. Precision Twist Drill, based in Crystal Lake, near Chicago, has annual sales of nearly SKr1bn ($130m). *Agencies, Stockholm*

# SBC Communications takes 40% stake in Diax

By William Hall in Zurich

SBC Communications, the second largest US telecoms company, has taken a 40 per cent stake in Diax, a joint venture with a group of Swiss electrical utilities which is being set up to challenge Swiss Telecom when it loses its monopoly st the end of this year.

Diax is investing between SFr500m and SFr600m ($346m-$415m) to become s full service telecommunications provider within the next three to five years.

The six Swiss utilities have started construction of an 1,800km digital fibre-optic network connecting all main Swiss cities.

Diax will provide residential and business customers with national and international long-distance services, calling cards and internet access, and plans to hid for a mobile telephone licence.

SBC's involvement in the joint venture was announced last September. However, Diax yesterday disclosed its first business plans and organisational structure.

Although SBC is the minority partner it is contributing several executives to the venture.

Mr Hans-Peter Aebi, an executive with a Swiss electrical utility, will be chairman of Diax, but about half of the board will come from SBC. These include Mr Robert Shaner, Mr James Flynn and Mr Ton Campbell. Mr Jules Pster has been appointed chief executive and Mr James Flynn has been appointed chief operating officer.

The ownership of the new venture is still not clear. The six Swiss utilitiss ars believed to own about 35 per cent and Swiss Re, a big insurer, between 25 per cent and 30 per cent. Together they control Diax Holding, which in turn owns 60 per cent of Diax, the operating company.

The members hope that other utilities will taks s stake in the holding company, and also have plans to float the operating company on the stock market at a later stage.

The new venture, which will recruit 1,000 staff over the next four years, wants to capture a significant share of Switzerland's SFr10bn a year telecoms market. Switzerland has more telephones per capita than any country except Sweden, and its SFr1,800 revenues per telephone line are the highest in the world.

Switzerland is particularly interesting to international opsrators such as SBC because it is the world's seventh biggest international market, generating 3bn international calling minutes s year.

However, SBC is not the first foreign company to show an interest in the Swiss market.

British Telecommunications and Tele Denmark havs taken a 49 per cent stake in Newtelco, s rival operator being established by Swiss Federal Railways, ths Migros snpermarket chain, and Union Bank of Switzerland.

Newtelco hopes to capture a 15 per cent market share over the next decade.

# China-US consortium wins tender

By Kester Eddy in Budapest

A Chinese-US consortium has submitted the best bid in a closed tender for a 90 per cent stake in Hungary's Recsk Ore Mine, the Hungarian privatisation agency APV said yesterday.

The consortium, consisting of New York-based Oil Capital and China Metallurgical Corp of Beijing, offered near face valne for the stake, making the bid about Ft 8bn ($44m). It also pledged to invest $138m in developing the the mine, wblch has never been worked commercially. This is because the government deemed financing extraction and processing unviable.

Test drillings put reserves at 36m tonnes of 2.2 per cent copper-hearing ore, plus 11m tonnes of ore with a 4.5 per cent zinc content.

APV said the consortium had until August 28 to fulfil the sale contract conditions, or the offer would pass to the second bidder, the Austrian consortium DCI Bergbauholding, which includes steelmaker Voest-Alpine.

# SBI advances 60% despite slow market

By Kunal Bose in Calcutta

State Bank of India, the country's largest commercial bank, yesterday reported net profits for the year to March up 60 per cent to Rs13.29bn ($371m), in spite of a depressed market for credit.

Meanwhile a strike, which had been disabling the bank'e operations in the Indian money markets, was called off yesterday.

The strike began oo June 11 in Bombay in protest at the auspension of some employees for alleged involvement in the collapse of an Indian finance company, and later spread to all offices in the states of Maharashtra and Goa.


The bank's income rose 11.95 per cent to Rs175.94bn, while interest income improved 15.37 per cent to Rs149.51bn. Other income fell 4.13 per cent to Rs26.43bn and expenditure rose 9.27 per cent to Rs162.64bn.

Earnings per share were ahead from Rs17.54 to Rs26.66 and tha bank is lifting the annual dividend to Rs4, against Rs3.50 in the previous year. Shares in SBI remained unchanged at Rs340, as the market had anticipated the profit rise.

Non-performing assets rose from 6.6 per cent to 7.3 per cent. Mr MS Verma, chairman, said: "Non performing assets rose mainly due to the elowdown in economic activity, wbich affected the return flow of credit. But we hope to be able to bring the NPA down at least to 3 per cent in the next three to four years."

Mr Verma said that by the turn of the century the bank would raise its return on assets to at least 1.2 per cent and return oo equity to 25 per cent. The average annual growth in assets would be about 16 per cent. "The bank will further raise its profits in the current year by controlling expenses and bringing down the cost of funds," he said.

Deposits rose 15.1 per cent to Rs1,037.67bn, and accounted for nearly one-fifth of India's total bank deposits. Credit rose only 6.2 per cent to Rs550.23bn. The capital adequacy ratio improved from 11.6 per cent to 12.17 per cent.

The return on equity advanced from 15.22 per cent to 16.67 per cent and the return on average assets was better at 0.88 per cent, against 0.598 per cent in the previous year.

Mr Sandeep Nanda, research director with Nat-West Markets, said thet the "improvement in the net interest margin to 4.01 per cent from 3.96 per cent is quite impressive. We expect SBI to earn net profits of Rs15.50bn in the current year."

● Bank of Baroda, one of India's largest commercial banks, lifted net profits 32.74 per cent for the year to March to Rs2.765bn. Deposits rose 13.35 per cent to Rs321.56bn but advances grew only 3.24 per cent to Rs165.32bn.

The capital adequacy ratio improved from 11.2 per cent to 11.8 per cent while return on assets increased from 0.65 per cent to 0.78 per cent. Earnings per share rose from Rs3.61 to Rs10.87 and the bank plans to pay an annual dividend of Rs2.6 a share.

# Indonesian groups drop pulp mill plans

By Manuela Saragosa in Jakarta

Astra International, Indonesia's automotive-to-plantations holding company, and Indah Kiat, the country's leading pulp and paper producer, have both dropped plans to construct new pulp mills in the country.

However, the developments are unlikely to change Indonesia's position as a potential leader in world pulp production in the longer term. Analysts estimate that Indonesia accounts for the bulk of all planned increases in total world pulp capacity.

Astra cancelled plans for its US$600m-$700m pulp mill in Kalimantan, which was to be built as a joint venture with Thailand's Siam Pulp & Paper, because it wanted to concentrate on its core automotive business.

Meanwhile, Indah Kiat – which is listed on the Jakarta stock exchange and is a subsidiary of the New York-listed Asia Pulp & Paper – postponed plans to build a Rp2,600bn ($1bn) pulp mill at its Perawang site in Indonesia. The mill was to have an annual capacity of 750,000 tonnes, adding to an existing capacity of 1.375m tonnes.

Indah Kiat said it would instead construct two new paper plants with a capacity of 400,000 tonnes each, at a cost of about Rp2,000bn. The company said the paper plants would offer "a better return on plant investment" than the Perawang mill.

However, analysts said minority shareholders had expressed reservations about Indah Kiat'e planned pulp expansion, which the company was preparing to finance with a Rp2,510bn rights issue, the biggest ever in Indonesia. The rights issue will proceed but the funds will be used to finance the two new paper plants instead.

Astra plans to concentrate on its core automotive business, stepping up investment in components manufacturing in order to qualify for tax and tariff breaks that will allow it to compete on an equal footing with Indonesia's "national" car.

The national car project was awarded to Timor Putra Nasional, a company controlled by President Suharto's youngest son which has been exempted from all taxes and tariffs applying to other established automotive manufacturers.

"The cancellation will ease concerns about Astra's capital expenditure and investment programmes," said Mr Stephen Rogers at UBS Securities in Jakarta. "Given the uncertainty over pulp prices, the proposed pulp mill had always been viewed negatively by investors."

## ASIA-PACIFIC NEWS DIGEST

# UMC in T$500bn expansion plan

United Microelectronics Corp (UMC), Taiwan'a second-biggest chipmaker, yesterday announced plans to build six advanced wafer fabrication plants in southern Taiwan at a cost of T$500bn (US$17.9bn) over the next decade. The expansion is a clear signal that UMC aims to go head-to-head with Taiwan Semiconductor for its position as tha the world's leading dedicated foundry chipmaker.

"This will allow United Microelectronics to become the world's leading semiconductor wafer servicing company," UMC said. Founded in 1987, Taiwan Semiconductor pioneered the foundry concept, under which it produces chips based on the blueprints of outside design houses. Taiwan Semiconductor's success in the foundry business has inspired imitators, but UMC has been the most aggressive in trying to gain market share.

Mr Robert Tsao, UMC chairman, said the investment carried little risk as global demand for advanced semiconductors continues to grow.

In April, Taiwan Semiconductor announced a similar plan to invest T$400bn in new chip fabs over the next 10 years. Both of the projects will be located in the new high-tech Tainan science park, in southern Taiwan.

UMC envisages building six advanced wafer fabrication plants, the first of which, budgeted at T$55bn, is scheduled to go on line in 1999 with a production capacity of 50,000 eight-inch wafers a month. Once that project is running, UMC plans five more wafer fabs, opening one every one or two years. *Laura Tyson, Taipei*

## Pacific Dunlop faces lawsuit

Pacific Dunlop, the Melbourne-based conglomerate, is facing a new class action lawsuit concerning pacemaker leads made by its former Teletronics subsidiary in the US. The company said that a lawsuit seeking class certification had been filed on behalf of all US recipients of the "Encor 330-854" and "Encor 033-856" bipolar passive fixation "J" pacemaker leads in the Californian courts.

The company is already facing litigation over another model of pacemaker lead made by Teletronics. The bipolar passive leads, which are the subject of the latest litigation, were withdrawn from the market in 1995, about a year after the first model.

According to Pacific Dunlop, it knows of 19 "protusions" related to the bipolar passive leads, with six cases being reported as patient injuries. The company said that it would "vigorously defend" against the latest allegations. *Nikki Tait, Sydney*

## Woolworths management change

Woolworths, one of Australia's two big grocery retailers, said that it was restructuring its management, in light of the impending retirement of Mr John Brunton, managing director of the supermarkets division.

Mr Roger Corbett, who is currently managing director of the Big W unit, will become managing director of retail operations, taking responsibility for all trading divisions within the group and reporting to Mr Reg Clairs, chief executive.

■ Optus, the Australian telecoms group which saw a change of chief executive last week, has announced by Mr Phil Jacobs, chief operating officer, will take on additional responsibility for the lossmaking Optus Vision cable network, which is being integrated into the Optus business. Mr Jacobs will become chief operating officer at Optus Vision. *Nikki Tait*

## Foreign link seen for Piltel

Shares in Piltel, the Philippine cellular phone operator, rose sharply yesterday on rumours that the ailing group was about to announce a partnership with a foreign company. Shares closed up 15 per cent to 11.5 pesos.

Analysts said a tie-up with a foreign partner could be announced today or next week, but a company official rejected the suggestion. "There is no incoming foreign infusion or takeover," she said.

An alliance with a larger foreign group would help put Piltel back on track after serious difficulties caused by fraudulent customers last year. Piltel was forced to write off more than 75 per cent of its long-term receivables and 20 per cent of its subscriber base and saw profits slump 14 per cent to 710m pesos ($27m) in 1996.

Earlier this week, Piltel announced an international interconnection agreement with Philcom, the local telecoms group with which it has a 20 per cent cross-holding. *Justin Marozzi, Manila*

## BHP invests A$500m in mines

BHP, the Australian resources group, and its partners in the Central Queensland Coal Associates joint venture, are to invest A$500m (US$385m) in expanding the coking coal mines. The investment is part of a broader review of BHP's coal interests, aimed at pinpointing those with the best growth potential. *Nikki Tait*

# Lai Sun poised for HK hotel bid

By Louise Lucas in Hong Kong

The Lai Sun group, the diversified Hong Kong property group, is poised to lannch a HK$6.9bn (US$891m) takeover bid for the territory's five-star Furama Hotel – a move which analysts say could see the removal of one of the few remaining hotele in the prime Central business district.

Trading of shares in Lai Sun Development, Lai Sun Hotels and Furama Hotel Enterprises was suspended yesterday and Monday ahead of an announcement.

Furama Hotel Enterprises also owns the Majestic Hotel on the Kowloon peninsula.

Analysts expect Lai Sun to pay abont HK$3bn to buy out the 45.2 per cent stake in Furama Hotel Enterprises now held by the family of Mr Adrian Fu, the hotel gronp's chairman. This would trigger a general share offer, costing an additional HK$3.9bn.

Further partners may be brought in to help shoulder the cost. According to ING Barings, possible partners incinde Cosco Pacific, the mainland-backed shipping group; Cheung Kong, the property developer; and Wharf (Holdings), the property and infrastructure company which already has a 22 per cent stake in Furama through its subsidiary Harbour Centre Development.

Furama's flagship hotel is situated next to the newer Ritz-Carlton, a five-star hotel owned by Lai Sun Hotels. Mr Alan Wong, analyst at W.I. Carr Asia, believes the most likely scenario is for the Furama to be pulled down in two years and converted into a more lucrative office block, which could then be connected to the Ritz-Carlton.

The deal comes amid consolidation in Hong Kong's hotel sector and could reduce the number of rooms in Central. While new hotels are dne to start up over the next five yeara, most of these will be outside Central along the railway route to the new airport on Lantan island.

Recent deals have focused on the five-star hotels in the Pacific Place development, a 10-minute walk from Central. Last November, Swire Properties, the developer of the complex, sold a controlling stake in the J. W. Marriott to a group of Singaporean and local investors.

The expected price for the Furama group – HK$33.50 a share compared with Friday's close of HK$26 – is close to the net asset value of HK$33.75, including the redevelopment potential of the Furama Hotel,

# China set to let in HK phone groups

By Nick Ingelbrecht in Singapore

The Chinese government is considering new legislation to permit the selective opening of its telecommunications market to Hong Kong companies, according to a senior official in China's Ministry of Posts and Telecommunications.

The legislation would pave the way for the country's national carrier, China Telecom, to acquire a 30 per cent stake in Hongkong Telecom, in exchange for the injection of assets from its cellular operations on the mainland into a new Hong Kong subsidiary to be partly owned by Cable and Wireless.

Mr Liu Cai, director-general of the department of policy and regulations for the MPT, said: "In the new draft law, we are thinking of having some flexibility for at least Hong Kong companies to have further participation in the [telecom] sector."

Details of the legislation had yet to be worked out, Mr Liu said, for example, the extent to which Hong Kong companies would be permitted to participate in network operations in China Telecom ventures – which is currently prohibited.

"That's an improvement on what they have been saying earlier in the week," said one senior Hongkong Telecom official.

Last week, Chinese officials in Beijing insisted restrictions on foreign holdings in telecom networks in China would remain.

Mr Peter Lovelock, research associate at Hong Kong University Telecommunications Research Project, said: "China Telecom needs to inject quite substantial assets into China Telecom (Hong Kong) and that could involve all of the mobile networks in China. That suggests C&W would gain direct access to the mobile network in China, which would compromise tha regulations."

Until now, the stated policy of tha Chinese government has been not to accord Hong Kong companies special ownership rights in China after the July 1 transfer of sovereignty over Hong Kong to Beijing. The oew legislation could hava significant implications for China's accession to the World Trade Organisation, since it would accord Hong Kong companies special privileges not available to foreign investors, say senior government sources in Hong Kong.

Mr Liu said that unresolved issues and opposition to the current draft made it unlikely the new law would be passed much before the middle of next year.

Diplomatic sources in Beijing said tha Chinese government would probably resort to a series of interim regulations to allow the US$10bn flotation of China Telecom (Hong Kong) to go ahead this year.

Mr Lio said the current law did not affect C&W's plan to sell a 5.5 per cent stake in its 59 per cent subsidiary, Hongkong Telecom, to China Telecom.

He also confirmed that Chinese leaders recently approved a new financing structure which allows foreign telecoms companies to invest directly in joint ventures with Chinese operators for the financing and construction of network infrastructure – albeit not to invest in the Chinese operating companies themselves.

هكذا من الأصل



April 29, 1997

Budget

## Budget Group, Inc.

(formerly Team Rental Group, Inc.)

has acquired

## Budget Rent a Car Corporation

**Mergers & Acquisitions**

Credit Suisse First Boston Corporation acted as sole financial advisor to Team Rental Group in connection with the acquisition

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**Common Stock**

$186,515,625

Budget Group, Inc.
has issued
8,625,000 Shares
Class A Common Stock
($.01 par value)

6,900,000 Shares
Offered in the United States

1,725,000 Shares
Offered Internationally

Credit Suisse First Boston Corporation
acted as lead manager for both offerings

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**Equity Linked Private Placements**

Budget Group, Inc.
has issued
$125,000,000
of
7% Convertible Subordinated Notes, Series A due 2007
6.85% Convertible Subordinated Notes, Series B due 2007

**Private Debt Placement**

$165,000,000
9.57% Guaranteed Senior Notes due 2007

**Asset Backed Securities**

$500,000,000
Series 1997-1 Rental Car Asset Backed Notes
$472,500,000 of Series 1997-1
7.35% Rental Car Asset Backed Notes, Class A
$27,500,000 of Series 1997-1
7.80% Rental Car Asset Backed Notes, Class B

**Commercial Paper Dealer**

$900,000,000
Rental Car Asset Backed Commercial Paper Program

Credit Suisse First Boston Corporation acted as
financial advisor and sole placement agent
for the above transactions
and
provider of a

**Bridge Loan**

$225,000,000
Bridge Loan Commitment

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**Loan Facilities**

Budget Rent a Car Corporation
with
Budget Group, Inc.
(as Guarantor)
$900,000,000
Secured Revolving Liquidity Facility

$300,000,000
Senior Secured Revolving Credit Facility

Credit Suisse First Boston acted as administrative agent
and co-syndication agent with NationsBank

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CREDIT SUISSE | FIRST BOSTON

# Mexican developer in $67m share issue

By Daniel Dombey in Mexico City

Corporación Geo, tbe low-income bousing developer, yesterday became the latest Mexican real estate company to win international financing, when it completed a $67m global equity issue.

Geo's issue, which was three times oversubscribed, will be used to refinance debt and pay for expansion. It follows last month's $50m issne of five-year global medium-term notes, and is the company's third equity placement in as many years. The issue is estimated to have diluted share capital by between 14 and 17 per cent.

Geo, the country's biggest housing firm, has a market capitalisation of $488m.

Another low-income housing group, Consorcio Hogar, completed an initial public offering last month. ARA, which is evenly split between low-income and other housing, went public in 1995, while Urbe, also a specialist in low-income housing, is expected to go public in tha next few months.

Although Mr Miguel Gómez-Mont, Geo chief executive, ruled out further share and debt issues in the foreseeable future, he predicts further offerings from other developers, since his largest competitors are still privately owned.

The interest in low-income housing companies stems from a housing deficit of some 6m units. Many middle-class buyers who would have preferred larger accommodation have decided to conform to Geo's standard 50 sq m unit.

"in moments of crisis the government has to support this sector," said Mr Gómez-Mont. "It meets a huge social need, provides employment and does not affect the balance of payments."

Low-income housing is largely dependent on two government agencies, Infonavit and Fovi. Infonavit takes a compulsory 5 per cent of salary from all private-sector amployees and maintains the savings in individual accounts.

It then decides housing projects, occasionally by auctioning development grants to the contractors with lowest costs, but in most cases by approving specific development schemes submitted by contractors, a process that has not always been transparent.

Workers who meet official requirements and want to buy a house in an approved project can use their individual accounts as a deposit and are granted a guaranteed credit for the rest of the purchase price.

As a result, the contractor runs almost no risk that the bouses it builds will not be bought. Fovi, a subsidised mortgage scheme backed by the World Bank and other international agencies, provides similar guarantees.

"Geo doesn't build any house until it is assured there is a buyer," said Mr Jonathan Pollack, a financial adviser to Geo at Vloly, Byorum and Partners in New York.

Geo produces homes at an average cost of 80,000 pesos ($10,100) including marketing expenses and sells at an average of 112,000 pesos. Its revenues last year grew 27 per cent to 1.37bn pesos.

However, enthusiasm for Geo has been dimmed recently by the company's eagerness to tap capital markets. The stock has appreciated less than 1 per cent for the year so far in peso terms, compared with 27.4 per cent for the Mexican market as a whole, as its performance has been beld back by concern about the latest equity issue. The company has been criticised for behaving more as a cash-guzzler than a cash cow.

At midday yesterday the stock was trading at 39.4 pesos, up 0.7 per cent on the day.

Mr Gómez-Mont says thet unless the company's sales growth is very mucb higher than its expected 35 per cent a year, Geo will not take out new debt or issne new shares until 2005.

The company hopes new projects in Chile and Texas will help boost gross margins, which are currently at about 30 per cent. However, the amount of financing needed to develop its properties means it will take a big effort by Geo to meet annual production targets without returning to the markets.

# GEA handover food for thought

## New chief of German equipment maker insists that the group is on track for solid growth

Klaus Sturany, finance director at GEA, the German equipment maker, was a keen mountaineer until a fall a few years ago forced him back to earth. He will need all his climbing nerve to maintain the erratic progress of the company when he takes over this month as chief executive.

Analysts fear that the company's acqnisition-led growth during the 1980s – 1996 sales of DM4.3bn ($2.5bn) were eight times those of 1984 – has slowed. Earlier this month Siebe of the UK paid £328m ($525m) for APV, a process equipment rival which GEA had long been interested in.

The company agrees the past couple of years have been "difficult". Net income last year fell 4.6 per cent to DM106m, and the company's shares underperformed the German stock market for most of 1995 and 1996, although this year has seen a revival.

GEA blames the earnings decline on the need to consolidate, but not all stock market watchers are convinced. Mr Klaus Roller, analyst at Paribas Capital Markets, says GEA has barely added to shareholder value in recent yaars, while according to Mr Peter Metzger, analyst at Deutsche Morgan Grenfell, GEA "still has a lot to prove".

The German group is known mainly for its food processing systems, wbere it is number two in the world to Tetra Laval, the privately-held Swedish company.

Food equipment accounts for two-thirds of sales; the remainder comes from thermal and energy technologies, which include power generation, and air conditioning systems.

Mr Sturany and his predecessor, Mr Otto Happel – who retires as chief executive this month bnt will maintain close contact through chairing GEA's supervisory board – insist the company is on track for solid sales and profits growth in the next few years.

Mr Happel says the current year will see a "significant" increase in earnings, partly reflecting the work in the past two years in streamlining the company's operating departments.

Instead of three divisions – one for each of its main commercial areas – GEA has split into nine operating groups, each covering a narrow range of businesses, but more focused on customers. "I believe we will see organic growth across all nine divisions," Mr Happel says.

Nor does he exclude further acquisitions. Analysts believe that parts of APV – which has performed poorly in recent years – could be surplus to Siebe's requirements, but would make a good fit with GEA.

Efficiency gains, says Mr Happel, are coming from outsourcing of component production, often to east European contractors with low wage costs. Outside contractors account for about half GEA's total manufacturing, up from 40 per cent five years ago. Over the same period, 3,000 jobs have been cut from a workforce of 17,000.

At the same time, GEA is continuing its drive to internationalise – last year just 23 per cent of GEA's sales came from Germany, compared with about half in the mid-1980s. Three of its nine divisions are beaded by non-Germans and the company's working language is English.

As for Mr Sturany, he is looking forward to the challenge of taking over from Mr Happel. After 25 years experience at Hoechst, the German chemicals group, where in his last job he was a director of the company's Uhde plant construction business, he has useful experience in managing large and complex organisations.

Former mountaineer Klaus Sturany (right) faces uphill task on succeeding Otto Happel

**Peter Marsh and Michael Lindemann**

# Pressure on Panamco over Venezuelan soft drinks buy

## Analysts fear that the Mexican Coca-Cola bottler may have overpaid in its attempt to become a leading regional drinks group

When Coca-Cola bottler Panamerican Beverages (Panamco) spent $1.1bn on a Venezuelan soft drinks company last month, analysts wondered whether it bad paid too much.

For the Mexican company, however, the acquisition was a vital step in its bid to transform itself from a haphazard mixture of operations in Brazil, Colombia and Mexico, into a leading pan-South American drinks group.

Now the deal is done, the onus is on Panamco to show it can fulfil its strategy and prove the purchase of Coca-Cola y Hit was worth the money.

Coca-Cola y Hit – previously half-owned by the Coca-Cola parent company – commands 80 per cent of the Venezuelan cola market and has 90 per cent of other soft drinks. But the price, of about $5.50 a case of capacity, was high compared with analysts' estimates of fair value of about $5.

Apart from the price, Panamco also faces the fact that Venezuela is one of the most public battle grounds for the intense rivalry batween Coca-Cola and PepsiCo. Coca-Cola y Hit last August itself inflicted one of the most bitter blows in the global cola war, with its public defection from Pepsi to Coca-Cola. Previously, it was known as Hit de Venezuela.

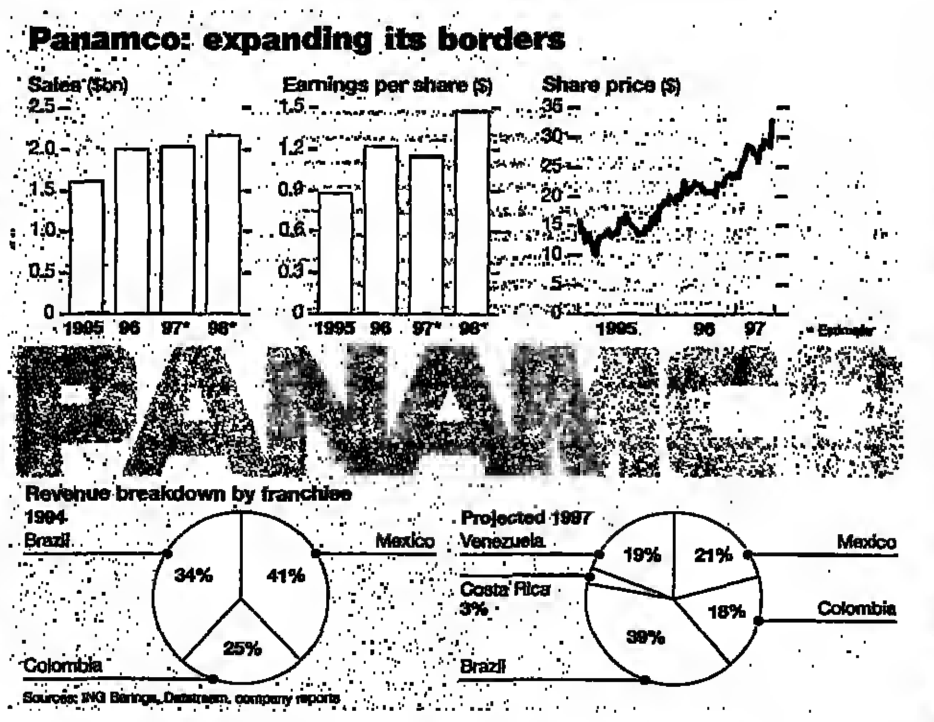
Indeed, it was partly because Coca-Cola had paid so highly – an estimated $500m for a 50 per cent stake – to tempt the company away from Pepsi, that Panamco found itself looking at such an expensive bill.

Despite the defection, "Pepsi still has a very strong brand image in Venezuela, the only Latin American country where consumers wanting a cola ask for a Pepsi first," says Mr Enrique Figueroa, analyst at Merrill Lynch in New York. "This may motivate Pepsi to move very aggressively early on to get back into the game."

Under the terms of the acquisition, Panamco took on $108.6m in debt, paid $100.3m in cash and parted with $900m of sbares, to absorb Coca-Cola y Hit. The Venezuelan company's former owners, the Cisneros brothers, now hold 10.3 per cent of Panamco and two seats on its board.

Coca-Cola increased its stake in Panamco from about 13 per cent to about 25 per cent. The deal fits with Coca-Cola's plans to use anchor bottlers – those in which Coca-Cola holds a large stake – as its means of expansion; Panamco is now the biggest Coka bottler based outside the US.

Panamco executives argue thet the deal is part of the imposition of structure and strategy on their company. They say that the price paid per case of capacity is not a fair measure of the benefits of the deal.




The company, which increased capacity from 800m cases to 1bn cases through tha purchase, insists that only larger bottlers, or gronpings of bottlers, will be as competitive as the soft drink market demands.

Mr Francisco Sánchez-Loaeza, Panamco chairman and chief executive, says: "With new bottling plants that produce 80m to 120m cases a year, 18 people can do the work that 75 used to do.

"Those plants are specialised – they produce just one kind of presentation [the type of bottle or can] when people want more and more of a choice." Smaller bottlers, he argues, cannot afford the range of dedicated plants needed to meet market demand.

Apart from the soft drink side, the deal also includes exclusive rights to distribute beer from the Cisneros brothers' new brewery, an important element in deciding tha deal's value. In Brazil, for example, Panamco makes 40 per cent of its profits from its distribution of beer.

Mr Sánchez-Loaeza believes that the investment planned by the Cisneros and the strong synergies from their media interests mean that, within a year, they will be able to snatch 10 per cent of the market from Grupo Polar, which is now Pepsi's Venezuelan bottler.

Sánchez-Loaeza adds that some other details of the sale – such as how much goodwill there will be – remain unknown, since for reasons of haste most of the due diligence was left until after the transaction took place. Merrill Lynch has estimated that goodwill could be between $550m and $650m.

At beart the question is how efficiently Panamco will be able to use the assets it has just acquired.

Over the last 10 years, Panamco, which was listed in 1993, has unified its disparate units.

But to date the company has not pushed through anything like the cost cutting it is contemplating.

Panamco plans to fuse its Colombian and Venezuelan operations, and shut down three ageing factories near Caracas wben a newer, larger one comes on line in a few years time.

Other factors may be beyond the company's control. Mr Sáncbez-Loaeza acknowledges that an attack by Pepsi and Polar could bring the company's market share of cola down to about 70 per cent or lower.

Mr Sánchez-Loaeza argues, however, that the company's share of flavoured drinks, which account for 50 per cent of sales, will remain stable, and that per capita consumption of soft drinks – currently half that of Mexico – will increase to make up for any overall shortfall as the Venezuelan economy improves.

Nevertbeless, Pepsi is unlikely to make it easy for Panamco to increase prices from their depressed level.

Much, not least Coca-Cola's sales of concentrate, is riding on Panamco. Yet the company may need a dose of good fortune to show that the price it paid for its latest venture was rigbt after all.

**Daniel Dombey**

# City surprised by GEC succession

By Bernard Gray, Defence Correspondent

Lord Prior is to retire as chairman of the General Electric Company next March, at the end of the company's financial year, as part of a series of moves designed to refresh the board of the large industrial conglomerate.

His departure is, however, six months later than most City observers had anticipated. Previous indications had suggested that Lord Prior would stand down in September at the company's annual general meeting.

The delay is thought to havs been caused because GEC is attempting to recruit a top-level industrialist to replace Lord Prior, but the senior executive is tied into a service contract with his existing company which prevents any earlier move.

However, the lag also allows additional time for strategic talks to develop between GEC and potential merger partners snch as British Aerospace. With a chairman about to retire, GEC would have flexibility within its board to accommodate merged partners.

No talks between the two companies are currently in progress, after detailed discussions broke down this year. However, City analysts have been speculating about the possibility of renewed talks since BAe raised the idea at a meeting with the City last week. GEC meanwhile is cooceotrating on completing its strategic review, which it is due to present to the City in early July.

Several non-execntive directors are also retiring in the first of what are expected to be a series of board reforms. Mr Sebastian de Ferranti, Mr John Lippitt, and Lord Rees-Mogg are all standing down in September, while Mrs Sara Morrision will retire at the same time, but will remain on the board for a few months to complete outstanding commitments.

Mr Nigel Stapleton, co-chairman of Reed Elsevier, is joining to strengthen the financial background of GEC's non-executive directors. Baronness Lydia Dunn, a director of Swire, will bring an understanding of the markets in China, while Dr Alan Rudge, deputy chief executive of BT, will add to GEC's technological expertise.

# EMI set to cut 120 jobs in US

By Alice Rawsthorn

EMI Group is poised to announce more than 120 job losses at its New York-based record labels in the second phase of the rationalisation of its troubled US music business.

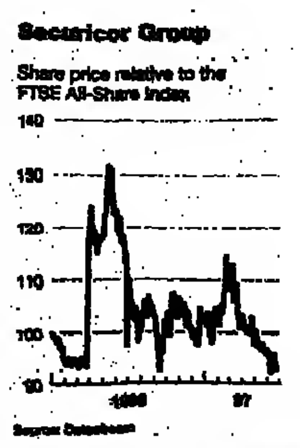
The redundancies are the result of a review of the group's North American operations conducted by Mr Ken Berry, the British-born music executive who last month was appointed as president of EMI's record companies worldwide.

At the time of Mr Berry's appointment, EMI disclosed that it was shedding 35 senior executives in the US – including Mr Charles Koppelman, former head of its North American operation – as part of an attempt to rednce annual overheads there by up to £40m.

It is nnderstood that the cutbacks will include the closure of several specialist record labels financed by EMI. Among them is The Enclave, a New York-based label.

## LEX COMMENT

# Securicor




Investors have lost some of their knee-jerk enthusiasm for demergers following disappointments like Thorn EMI and Hanson. But there are still cases where shareholders would be better off if a company did the splits. Securicor looks a classic one. Cellnet, the mobile communications operator in which Securicor has a 40 per cent stake, is a disappointing performer by comparison with Vodafone, which started at the same time. But it has still proved e handsome investment. The snag is that it has cushioned Securicor from addressing the underperformance of its other businesses in security, distribution and communications. If these were demerged from the Cellnet stake, they would have to stand on their own two feet.

Quite apart from such operational advantages, splitting Securicor would have financial logic. Not only would investors be more keen to hold shares in a vehicle which was a pure play on mobile communications but Securicor's other businesses could trade ebove fair value in the anticipation of hids. Analysts think its break-up value could be 10-40 per cent above the current price.

Why then is the management reluctant to press ahead with a demerger? Fear of a big tax bill is the official reason. Maybe. But clever advisers can often find ways of engineering tax-free demergers. Securicor's recently-enfranchised investors should satisfy themselves that the company is not hiding behind tax because it finds the status quo comfortable.

# Safeway moves into N Ireland food retailing

By Peggy Hollinger

Safeway yesterday became the third big food retailer to enter the underdeveloped Northern Irish market as it agreed a joint venture deal with Fitzwilton Group, multi–millionaire Mr Tony O'Reilly's investment vehicle.

The UK's third largest supermarket group is buying a 50 per cent stake in the 15 biggest stores owned by Wellworths - Northern Ireland's second largest supermarket chain which is 97 per cent owned by Fitzwilton. The deal will give Safeway 11 per cent of the £1.6bn ($2.6bn) a year food retail market in Northern Ireland.

Although this is less than the 17.5 per cent claimed by Tesco in the province, following its £630m purchase of stores from Associated British Foods in March, Safeway said it had cherry picked the best sites out of Fitzwilton's portfolio of 36 Wellworth stores.

"The ABF portfolio was a very mixed bag of seven different hrands," said Mr Simon Laffin, finance director. "We are talking about launching one brand across all of Ireland."

The Republic of Ireland, with a food retail sector worth some I£4.2bn ($6.3bn) a year, has becoma an attractive market for UK supermarkats facing increasing competition at home. Tesco and Sainsbury, like Safeway, are both using Northern Ireland as a bridgehead for expansion into the Republic of Ireland. In general, product ranges are much narrower and prices at least 5 per cent higher than in Britain. In addition, retailers have so far been slow to introduce own-label ranges, where profit margins are higher.

Safeway and Fitzwilton are investing £10m each in the joint venture, which will then use debt to revamp and extend the 15 stores and build a further four at a total cost of £150m.

# Securicor may bid for prison contracts

By Charis Gresser

Secnricor, the communications and security group, said yesterday that the Labour government was considering pressing ahead with plans to build three prisons and that it could be interested in bidding for some of them.

The news came as the company unveiled interim profits before tax and exceptionals of £56.1m (£57.7m) on turnover of £674m (£612m).

It also announced a surprise £10m provision, due to the overrun of a computer project for Cellnet, the mobile phone operator, in which it has a 40 per cent stake. The total provision for the project is £25m.

The system, which will upgrade Cellnet's customer service operations, should be implemented next year.

After exceptionals and discontinned operations, pretax profits were £19.1m (£47.6m). The shares slid 9¼p to 279p.

The security division was the best performer, with a profits jump of 43 per cent to £8.3m. Mnch of tha boost was the result of price rises, made possible because one of Securicor's more aggressive competitors was taken over.

The communications division made a loss of £7.9m, due to start-up costs associated with an American mobile radio network.

Securicor's trading profits from Cellnet grew from £35.2m to £43m. Operators are under growing pressure as the mobile phone market moves increasingly from the business to the consumer end of the market. Higher rates of dlsconnectlons meant the group's celluar service provider incurred a £3.9m trading loss.

Trevor Humphries

Roger Wiggs (left), chief executive, and Chris Shirtcliffe, finance director, of Securicor

# Randgold rejects offer stall

By Kenneth Gooding, Mining Correspondent

Randgold Resources, the international gold exploration and mining subsidiary of Randgold of South Africa, has rejected suggestions that it should postpone its London listing and $126m-$161m cash raising exercise.

Mr Peter Flack, chairman, said yesterday he planned to go ahead despite the current difficult market conditions,

Bankers associated with the offer acknowledged that the present relatively low gold price and the impact of the Bre-X scandal had made the going tough, but they remained optimistic after the Randgold Resources' roadshow in the US.

The outflow of cash from gold funds that followed the discovery of the Bre-X frand had stopped, so their managers were under less pressure.

Mr Jon Bergtheil of HSBC Investment Banking, global co-ordinator of the offer, said a price range of $18 to $23 a ahare for about 7m Resources shares had been chosen after extensive research among potential institutional buyers.

Resources' shares will be priced on June 23 and settlement is on June 30. Trading on the London Exchange is expected to begin on July 2.

# Signs point to BG deputy's departure

By Robert Corzine

BG yesterday gave its strongest hint so far that Mr Phillip Rogerson, the deputy chairman who led the company's team in the recently conclnded Monopolies and Mergers Commission inquiry, will soon leave the group.

Mr Richard Giordano, chairman, confirmed that "Phillip's work is essentially done." But it will take another two or three months for Mr Rogerson to complete the negotiations with Ofgas over the implementation of tough new price controls for BG's Transco pipeline subsidiary. Mr Rogerson did not take part in the company's response to the publication of the MMC report on Wednesday.

Mr Giordano said the market now understood that Mr Rogerson's main role was coming to an end and that a new management team was in place for the future.

## RESULTS

| | | Turnover (£m) | | Pre-tax profit (£m) | | EPS (p) | | Dividends: Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Avocet Mining | Yr to Mar 31 | 26 | (19.4) | 2.7L | (2.1L) | 8.4L | (8.2L) | - | - | - | - | - |
| Caledonian Inv | Yr to Mar 31 | 57.9 | (57.4) | 75.7♥ | (40.2) | 68.3 | (30.7) | 12.8#♦ | May 1 | 12.1 | 49 | 18 |
| Charnos | Yr to Dec 31 | 91.7 | (80) | 4.09 | (3.02) | 154 | (120.7) | 4.8 | June 30 | 4.9 | 9.8 | 9.8 |
| Courts | Yr to Mar 31 | 424 | (336) | 29.5♥ | (22.7♥) | 26.26 | (20.14) | 2.75 | Oct 10 | 2.18 | 3.75 | 3 |
| Cox Insurance | Yr to Mar 31 | 20.5 | (0.410) | 17.1 | (1.32) | 13.8† | (3.6) | 2.1 | July 22 | nil | 3.85✻ | nil |
| Gerrard | Yr to Mar 31 | - | (-) | 17.8 | (22.2) | 20.1 | (32.1) | 8 | July 28 | 15 | 16 | 23 |
| Helphire | Yr to Mar 31 | 10 | (-) | 1.06 | (-) | 8.7 | (-) | - | - | - | - | - |
| Jarvis | 15 mths to Mar 31☆ | 261.7 | (76.4) | 15.2 | (0.509) | 15.6† | (1.2) | 4 | Aug 1 | nil | 5.6 | nil |
| Jarvis Hotels | Yr to Mar 29 | 118.2 | (101.7) | 16♠ | (9.12) | 10.1† | (8.7) | 2 | Aug 29 | - | 3 | - |
| Laftam (James) | Yr to Mar 31 | 82.9 | (79.6) | 2.06♥ | (1.4) | 27.9 | (21.5) | 5 | Aug 12 | 4 | 7.75 | 6.25 |
| Man (ED&F) | Yr to Mar 31 | - | (-) | 85.2♥ | (81.1♠) | 22 | (21.4) | 7.3 | Sept 5 | 6.9 | 10.7 | 10.1 |
| Metrotect Inds | Yr to Mar 31 | 15.7 | (13.4) | 0.926♠ | (0.106) | 2.84 | (0.43) | 0.65 | Aug 14 | 0.35 | 1 | 0.7 |
| Mid-States | 3 mths to Mar 31 | 17.7 | (18.3) | 0.322 | (0.740) | 0.5 | (0.9) | - | - | - | - | 0.48 |
| Quilligotti | Yr to Mar 31 | 10.8 | (12.3) | 0.653♠ | (0.676L♠) | 1.46 | (1.51L) | - | - | - | - | - |
| Securicor | 9 mths to Mar 31■ | 673.9 | (612.2) | 19.1♠ | (47.6) | 1.8† | (5.6) | 0.39 | Sept 30 | 0.354 | - | 1.558 |
| Snakeboard Intl Φ | 5 mths to Mar 31 | 0.330 | (-) | 0.742L | (-) | - | (-) | - | - | - | - | - |
| Symonds | Yr to Mar 31 | 31 | (14.2) | 2.69♥ | (1.45) | 3.6† | (4.5) | 1.2 | Sept 25 | 1 | 1.8 | 1.5 |
| Ushers of Trowbdge | 8 mths to Apr 30 | 32.4 | (30) | 3.65 | (4.89♥) | 3.7† | (3.9) | 0.6 | Sept 15 | - | - | - |
| Wood (John D) | Yr to Apr 30 | 9.44 | (7.6) | 1.64 | (0.73) | 12.2 | (5.4) | 2.5 | July 7 | 1.75 | 3.75 | 2.5 |

| Investment Trusts | | NAV (p) | | Attributable Earnings (£m) | | EPS (p) | | Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Invesco Asia | Yr to Apr 30‡ | 107.35 | (116.7) | 0.915 | (0.86) | 0.81† | (0.77) | 0.65 | July 31 | 0.6 | 0.65 | 0.6 |
| I&S UK Discovery | Yr to Apr 30 | 140.15 | (124.59) | 0.476 | (0.525) | 1.85 | (2.04) | 1.6 | Aug 27 | 1.65 | 1.8 | 1.65 |
| Ptarmigan Intl Cap | Yr to May 31 | 313.4 | (306.9) | 0.235 | (0.167) | 4.8 | (3.83) | 2§§ | July 24 | 1.9 | 3.9 | 3.7 |

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. #Second interim in lieu of a final. ♦Excludes 30p supplementary. ✻Includes 1.05p special. ☆Comparatives for year to Dec 31 1995. ■Comparatives restated. ‡Comparatives for 15 mths. §§Second interim.

# Magellan purchases Rolls arm

By Bernard Simon in Toronto

Magellan Aerospace, a Canadian holding company with interests in several North American aircraft components businesses, is to pay Rolls Royce, tha UK-based aero and industrial engine maker, C$63m ($45.6m) in cash for the purchase of Bristol Aerospace, a Winnipeg-based components and repair company.

Rolls Royce put Bristol np for sale last year as part of a drive to focus its aerospace husiness on gas turbine engines. Bristol's main businesses include rocket and missile propulsion systems, military targets, engine components, and aircraft and helicopter repair. Last year's sales totalled C$120m.

Bristol makes up about 2 per cent of Rolls Royce's assets. The UK group retains a substantial presence in Canada, centred on a recently expanded gas turbine engine plant in Montreal.

Bristol will boost Magellan's annual revenues by 60 per cent. Magellan said it planned to issue C$55m in common shares to help finance the purchase.

# PacifiCorp offer in print delay

By Simon Holberton

PacifiCorp, tha Oregon-based ntility, which last week bid £3.65bn ($5.94bn) for Energy Group, the Anglo-American energy company, will not have its offar document ready to post to shareholders until the end of next week.

Advisers to the US group said the offer document would take two days to print as Energy Group had such a large shareholder base. The company has nearly 190,000 shareholders, the result of the strong following its previous parent, Hanson, had among small investors.

Energy Group, which was listed in February, was the last of the companies to be demerged from Hanson. It consists of Eastern Group, the only vertically integrated electricity company in Britain, and Peabody Coal, the biggest coal miner in the US.

Shareholders will have up to 60 days from the posting of the offer document to assess the bid's worth.

So far its 690p a share offer togethar with Energy Group's 5¼p dividend has ruffled few feathers in the investment community.



## COMPANY NOTICES



## BUSINESSES FOR SALE



## CONTRACTS & TENDERS



## CONTRACTS & TENDERS

# Record-breaking offer from Russia

INTERNATIONAL BONDS

By Edward Luce

Rnssia's $2bn offering overshadowed rival issues yesterday as investors jostled for a share of the largest fixed-rate emerging market eurobond ever launched.

Traders attributed the success of the 10-year deal – which raised total dollar issuance for the week to e record of more than $14bn – to the coupon of 10 per cent.

The bonds, priced at the upper end of the expected range with e spread of 375 basis points over US Treasures, tightened after launch to 373 basis points over.

J.P. Morgan, which led the deal with SBC Warburg, described it as "a complete blow-out". More than 50 per cent of the paper went to US investors, with the remainder split roughly evenly between Europe and Asia.

"We had truly global distribution on this," said an official. "Investors saw the 10 per cent coupon and looked at Russia's improving credit story and came to the obvious conclusion."

Bankers said Russia's Ba2/BB– credit rating was in line with most Latin American sovereign ratings – yet yesterday's deal was priced to yield at least 100 basis points more than Mexican or Argentine 10-year paper.

"Given its exciting credit potential, Russian debt is fairly cheap in comparison to other emerging market issues," one banker said. The offer is Russia's third, following its debut five-year eurodollar bond last year and a seven-year D-Mark bond earlier this year.

Emerging market sovereign paper was also in fashion in the Yankee market with a $500m 20-year offering from SOUTH AFRICA.

The deal, South Africa's second Yankee after a 10-year debut last year, was priced to yield 183 basis points over long-dated Treasuries. Officials at Merrill Lynch, the lead manager, said the bond tightened in the secondary market after launch.

"We had strong buying from the sorts of US fund managers who normally only buy investment grade paper," said Mr Chris Slade, managing director of capital markets at Merrill Lynch in New York. With a credit rating of BB+ from Standard & Poor's, South Africa is just one rung below investment grade. The country has also been put on "positive outlook", suggesting it may receive an upgrade in the near future.

By contrast, the PHILIPPINES' inaugural 30-year Yankee appeared to have dialled the proverbial wrong number, with investors saying the Salomon Brothers-led deal was too tight.

With e launch spread of just under 185 basis points over Treasuries, the 30-year $400m tranche was seen as expensive by many investors. Similarly, the $100m century bond tranche was also seen as tight at a launch spread of 197.5 basis points.

"The Philippines still has a credit rating below investment grade, so it was optimistic to expect investor enthusiasm on this deal," a banker in New York said.

CYPRUS came to the eurobond market for the first time with a $300m offering priced to yield 37 basis points over five-year Treasuries. Syndicate officials at SBC Warburg, sole lead, described the issue as a success, with the spread tightening to 36 basis points in afternoon trading.

The launch price compared favourably from the borrower's point of view with other A2/AA– issuers, said one banker. "Obviously there was a novelty value involved, but investors were also impressed with Cyprus' economic fundamentals," said an official.

## New international bond issues

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book-runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| Russian Federation | 2bn | 10.00# | 99.164R | Jun 2007 | 1.125R | +375(6⅝%-07) | JP Morgan/SBC Warburg |
| United Mexican States(a)‡ | 1bn | (a1) | (a2)R | Jun 2002 | 0.375R | - | HSBC Mkts/Merrill Lynch |
| Republic of Cyprus | 300 | 6.625 | 99.40R | Jun 2002 | 0.25R | +37(WI 5yr) | SBC Warburg |
| FFF Corp(b)★‡ | 141.545 | (b1) | (b1) | Aug 2028 | 0.30 | - | Merrill Lynch |
| **D-MARKS** | | | | | | | |
| Peoples Republic of China | 500 | 5.00 | 99.659R | Jun 2002 | 0.30R | +55(4½Feb02) | CSFB/Deutsche MG |
| **STERLING** | | | | | | | |
| Britannia Bldg Society(c)‡ | 50 | (c1) | 100.10 | Jul 2002 | 0.10 | - | UBS |
| **FRENCH FRANCS** | | | | | | | |
| Province of Ontario | 3bn | 5.875 | 99.144R | Jul 2009 | 0.35R | +22(i) | M Stanley/SocGen |
| **ITALIAN LIRE** | | | | | | | |
| World Bank(d) | 300bn | 7.05 | 101.53 | Jul 2004 | 1.75 | - | Sanwa International |
| **AUSTRALIAN DOLLARS** | | | | | | | |
| GECC | 100 | 5.875 | 100.88 | Jul 2000 | 1.50 | - | Deutsche Morgan Grenfell |
| **LUXEMBOURG FRANCS** | | | | | | | |
| Dresdner Bank Lux(l) | 2bn | 6.00 | 102.65 | Dec 2000 | 2.00 | - | BIL/Crédit Européen |
| **CANADIAN DOLLARS** | | | | | | | |
| KfW International Finance(s) | 100 | 5.375 | 98.975R | Dec 2002 | 0.25R | +17(7%Sep01) | Deutsche/Hambros Bank |

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Callable from Jun 00 at par. a1) 3-mth Libor +125bp. a2) Priced today to yield 3-mth Libor +140bp area. b) First Franklin Financial. Av life: 3.77 yrs. b1) Priced later: 1-mth Libor +24bp area. c) Issuers option to convert in one year to 8¼% fixed annual coupon. c1) 3-mth Libor +20bp. d) Callable on 22/7/98 at par. i) Over interpolated yield. l) Long 1st coupon. s) Short 1st coupon.

# Israel foreign exchange to be reformed

By Judy Dempsey in Jerusalem

The Bank of Israel, backed by Mr Benjamin Netanyahu, the prime minister, and the finance ministry, has unveiled long-overdue foreign exchange reforms which could pave the way for the globalisation of the country's capital markets.

The bank has also decided to expand the exchange rate mechanism. Until now, the the shekel has been allowed to appreciate or depreciate by 7 per cent before the bank intervened. The band has been extended and will eventually reach 15 per cent in either direction, allowing the shekel to find an equilibrium and easing pressure on the bank to intervene.

In recent months, high interest rates have attracted large foreign currency inflows, forcing the bank to buy an average of $1.5bn a month to prop up the shekel. It cut the base rate by 1.2 percentage points to 12.7 per cent this week, which might ease the pressure.

The measures, which could also prepare the ground for full convertibility of the currency, will allow financial institutions to invest abroad – a decision welcomed by analysts since Israel's capital markets can no longer absorb the provident and mutual funds.

"This is a major reform," said Mr Gad Haker, at Ilanot-Batucha Investments. "It will open up the economy in all sorts of ways."

The measures include raising the ceiling for investment in foreign securities by provident, or saving funds, from 2 per cent of their current assets to 5 per cent.

The ceiling for investment in foreign securities by companies will be raised from 5 per cent of turnover to 15 per cent, or 25 per cent of equity capital from 10 per cent. The ceiling for investment in foreign securities will be raised to 50 per cent.

Until now, only specialised funds were permitted to hold up to 50 per cent of assets in foreign securities while the ceiling for other funds was 10 per cent. The bank said the measures would "enable institutions to diversify their investment portfolios and manage their assets more efficiently".

And in a move to increase competition between financial intermediaries, institutional investors will be eble to undertake transactions in foreign securities directly with brokers ebroad, without the mediation of a bank or broker in Israel, which until now only companies were allowed to do.

The reforms are expected to be put in place by next year, but analysts said further work was needed to liberalise the capital markets.

Last September a commission headed by Mr David Brodet, former director general of the finance ministry, proposed cutting dividend taxes on publicly-traded companies from 25 to 15 per cent; the creation of a secondary mortgage market; reform of pensions; and new taxes on savings of less than 10 years.

Little has been achieved towards implementing the measures, however; a fate analysts believe will not be repeated with the latest reforms.

# BTPs unnerved by French spending plans

GOVERNMENT BONDS

By Michael Lindemann in London and John Labate in New York

European bond markets began yesterday by extending earlier gains, then plunged after the June Philadelphia Fed Index revealed a surge in US new orders. At mid-session, US Treasuries were drifting lower.

ITALIAN BTPs were among the day's most volatile bonds. The September BTP future climbed to 133.70 before falling to settle at 132.64.

Ms Ros Lifton, analyst at HSBC, said Mr Romano Prodi, Italy's prime minister, might find it more difficult to pusb through spending cuts and pension reforms, given the expenditure plans outlined yesterdey by France's new prime minister, Mr Lionel Jospin.

FRENCH OATs were less volatile, and traders blamed market weakness on US and German developments rather than Mr Jospin's speech.

However, the government's pledges to increase spending on education end jobs, and rein in privatisations, contributed to a nervous market.

The September notional future rose to 129.06 but slid back to settle at 128.66.

The spread between two- and five-year yields flattened about one basis point, while that between five and 10-year yields steepened by the same amount.

GERMAN BUNDS drifted. The IFO business climate index for May was slightly above expectations but not enough to make a difference, analysts said.

Ms Lifton, at HSBC, said the technical picture had not been very positive during the day "and then the Philly Fed smashed it completely."

The September bund future settled at 100.97, down 0.37, and bunds underperformed Treasuries with the spread tightening to 74 basis points.

UK GILTS were caught in the downward vortex. M4 money supply in May rose faster than expected, increasing upward pressure on interest rates.

However, the National Audit Office report into public finances did not have a significant impact and was, as one analyst pointed out, drowned by the sudden interest in the outcome of the Conservative party leadership contest.

Mr Simon Briscoe, UK economist at Nikko Securities, said the only interesting outcome of the NAO report was that the Labour government would not be publishing a breakdown of its privatisation proceeds.

The September gilt future settled at 113$\frac{1}{32}$, down ⅜.

US TREASURIES drifted lower in morning trading following a Federal Reserve survey that reported robust manufacturing activity.

The benchmark 30-year bond price slid en ⅛ to 99$\frac{1}{32}$, yielding 6.692 per cent. The shorter term two-year bond price fell $\frac{1}{32}$ to 100$\frac{5}{32}$, lifting the yield to 6.006 per cent.

"The economy is still showing strength," said Mr Kevin Sluder, a senior trader at First Chicago Capital Markets.

The monthly report by the Federal Reserve Bank of Philadelphia, released early yesterday, found a rise in new orders among manufacturers. The level of shipments remained largely flat, but prices received by manufacturers rose for the first time in several months.

"The market is still pretty convinced there are no major uncerteinties out there," said Mr David Munro, chief US economist at High Frequency Economics. A modest inflationary outlook is likely to last through the summer months, he said.

Treasury markets largely ignored the morning release of trade statistics for goods and services.

The US trade deficit for March was revised to $7.76bn, down from $8.51bn. The April trade deficit was reported at $8.36bn.

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Day's change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| Australia | | 10.000 | 10/07 | 121.4329 | +0.660 | 7.04 | 7.12 | 7.68 |
| Austria | | 5.750 | 04/07 | 98.7500 | -0.100 | 5.92 | 5.90 | 5.70 |
| Belgium | | 6.250 | 03/07 | 102.8800 | -0.300 | 5.85 | 5.80 | 5.81 |
| Canada * | | 7.250 | 06/07 | 107.8200 | +0.420 | 6.18 | 6.28 | 6.53 |
| Denmark | | 7.000 | 06/07 | 104.3500 | -0.400 | 6.41 | 3.18 | 6.31 |
| France | BTAN | 4.750 | 03/02 | 100.3288 | -0.170 | 4.67 | 4.65 | 4.65 |
| | OAT | 5.500 | 04/07 | 98.7700 | -0.440 | 5.66 | 5.65 | 5.59 |
| Germany Bund | | 6.000 | 07/07 | 101.5900 | -0.440 | 5.79 | 5.72 | 5.69 |
| Ireland | | 8.000 | 08/06 | 109.5600 | -0.230 | 6.57 | 6.62 | 6.57 |
| Italy | | 6.750 | 02/07 | 99.8000 | +0.600 | 6.78† | 6.98 | 7.18 |
| Japan | No 145 | 5.500 | 09/02 | 117.0198 | -0.030 | 1.64 | 1.65 | 1.82 |
| | No 182 | 3.000 | 09/05 | 104.2393 | -0.070 | 2.39 | 2.43 | 2.59 |
| Netherlands | | 5.750 | 02/07 | 100.7200 | -0.380 | 5.65 | 5.58 | 5.58 |
| Portugal | | 8.500 | 02/06 | 120.9000 | -0.270 | 6.29 | 6.36 | 6.47 |
| Spain | | 7.350 | 03/07 | 106.5500 | -0.490 | 6.41 | 6.43 | 6.56 |
| Sweden | | 8.000 | 08/07 | 109.0845 | +0.610 | 6.73 | 6.83 | 7.00 |
| UK Gilts | | 7.000 | 06/02 | 99-18 | -8/32 | 7.10 | 6.94 | 6.82 |
| | | 7.250 | 12/07 | 100-18 | -11/32 | 7.18 | 7.05 | 6.96 |
| | | 8.000 | 10/08 | 113-15 | -12/32 | 7.24 | 7.11 | 7.03 |
| US Treasury * | | 6.625 | 05/07 | 101-16 | +4/32 | 6.41 | 6.49 | 6.63 |
| | | 6.625 | 02/27 | 99-03 | +10/32 | 6.69 | 6.77 | 6.87 |
| ECU (French Govt) | | 7.000 | 04/06 | 106.9200 | -0.400 | 5.97 | 5.93 | 5.92 |

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: Standard & Poor's MMS.

### US INTEREST RATES

| Latest | | Treasury Bills and Bond Yields | | | |
|---|---|---|---|---|---|
| | | One month | - | Two year | 6.07 |
| Prime rate | 8½ | Two month | - | Three year | 6.15 |
| Broker loan rate | 7¼ | Three month | 5.08 | Five year | 6.28 |
| Fed.funds | 5½ | Six month | 5.29 | 10-year | 6.38 |
| Fed.funds at intervention | - | One year | 5.62 | 30-year | 6.67 |

### BOND FUTURES AND OPTIONS

**France**

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 129.00 | 128.66 | -0.22 | 129.06 | 128.56 | 128,035 | 197,337 |
| Dec | 97.90 | 97.44 | -0.34 | 97.90 | 97.72 | 504 | 1,575 |
| Mar | 97.90 | 97.44 | -0.34 | 97.90 | 97.90 | 2 | - |

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

| Strike Price | Calls Jun | Calls Jul | Calls Sep | Puts Jun | Puts Jul | Puts Sep |
|---|---|---|---|---|---|---|
| 126 | 2.68 | 2.81 | 3.14 | 0.02 | 0.16 | 0.32 |
| 127 | 1.68 | 1.97 | 2.32 | 0.02 | 0.31 | 0.52 |
| 128 | 0.80 | 1.23 | 1.60 | 0.14 | 0.56 | 0.81 |
| 129 | 0.20 | 0.68 | 1.00 | 0.54 | 1.02 | 1.25 |
| 130 | 0.04 | 0.31 | 0.58 | 1.38 | - | - |

Est. vol. total, Calls 8,105 Puts 27,086. Previous day's open int., Calls 137,153 Puts 164,390.

**Germany**

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 101.48 | 100.97 | -0.37 | 101.58 | 100.95 | 184022 | 245822 |
| Dec | 100.50 | 100.02 | -0.37 | 100.55 | 100.02 | 2425 | 1985 |

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

| Strike Price | Calls Jul | Calls Aug | Calls Sep | Calls Dec | Puts Jul | Puts Aug | Puts Sep | Puts Dec |
|---|---|---|---|---|---|---|---|---|
| 10050 | 0.52 | 0.95 | 1.18 | 1.21 | 0.05 | 0.48 | 0.71 | 1.89 |
| 10100 | 0.18 | 0.66 | 0.90 | 1.00 | 0.21 | 0.69 | 0.93 | 1.98 |
| 10150 | 0.04 | 0.43 | 0.64 | 0.81 | 0.57 | 0.96 | 1.17 | 2.29 |

Est. vol. total, Calls 13562 Puts 25048. Previous day's open int., Calls 182865 Puts 249913

**Italy**

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 133.30 | 132.64 | -0.44 | 133.70 | 132.55 | 86587 | 89861 |
| Dec | 106.30 | 105.29 | -0.54 | 106.30 | 106.30 | 50 | 300 |

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

| Strike Price | Calls Sep | Calls Dec | Puts Sep | Puts Dec |
|---|---|---|---|---|
| 8000 | | 25.29 | | 0 |
| 8050 | | 24.79 | | 0 |
| 8100 | | 24.29 | | 0 |

Est. vol. total, Calls 12026 Puts 7693. Previous day's open int., Calls 57707 Puts 66922

**Spain**

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 116.78 | 116-14 | -0.44 | 116.89 | 116.06 | 103,071 | 92,902 |

**UK**

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 114-01 | 113-18 | -0-12 | 114-05 | 113-28 | 51 | 1045 |
| Sep | 113-21 | 113-03 | -0-12 | 113-26 | 113-00 | 56737 | 161748 |

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

| Strike Price | Calls Jul | Calls Aug | Calls Sep | Calls Dec | Puts Jul | Puts Aug | Puts Sep | Puts Dec |
|---|---|---|---|---|---|---|---|---|
| 113 | 0-21 | 1-01 | 1-23 | 1-60 | 0-15 | 0-59 | 1-17 | 2-14 |
| 114 | 0-05 | 0-34 | 0-56 | 1-32 | 0-63 | 1-28 | 1-50 | 2-50 |
| 115 | 0-02 | 0-16 | 0-33 | 1-10 | 1-60 | 2-10 | 2-27 | 3-28 |

Est. vol. total, Calls 2743 Puts 201. Previous day's open int., Calls 43871 Puts 25505

**Ecu**

■ ECU BOND FUTURES (MATIF) ECU100,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 95.78 | 95.50 | -0.24 | 95.82 | 95.50 | 458 | 4,336 |

**US**

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 112-17 | 112-23 | +0-06 | 112-23 | 112-14 | 8,593 | 24,511 |
| Sep | 112-05 | 112-12 | +0-07 | 112-13 | 112-02 | 304,581 | 417,559 |
| Dec | 111-23 | 111-28 | +0-04 | 111-30 | 111-22 | 132 | 25,286 |

**Japan**

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

| | Open | Close | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 124.08 | | | 124.08 | 123.85 | 1828 | n/a |
| Dec | 123.25 | | | 123.25 | 123.25 | 10 | n/a |

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

### FTSE Actuaries Govt. Securities — UK Indices

| Price Indices UK Gilts | Thu Jun 19 | Day's change % | Wed Jun 18 | Accrued interest | xd adj. ytd | | Low coupon yield Jun 19 | Low Jun 18 | Low Yr. ago | Medium coupon yield Jun 19 | Medium Jun 18 | Medium Yr. ago | High coupon yield Jun 19 | High Jun 18 | High Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 Up to 5 years (20) | 119.69 | -0.10 | 119.81 | 2.11 | 5.38 | 5 yrs | 7.11 | 7.06 | 7.50 | 7.18 | 7.10 | 7.53 | 7.22 | 7.16 | 7.63 |
| 2 5-15 years (20) | 151.35 | -0.28 | 151.77 | 2.13 | 5.93 | 15 yrs | 7.20 | 7.18 | 8.30 | 7.25 | 7.21 | 8.32 | 7.25 | 7.18 | 8.37 |
| 3 Over 15 years (6) | 177.96 | -0.36 | 178.61 | 5.49 | 5.02 | 20 yrs | 7.28 | 7.20 | 8.37 | 7.25 | 7.22 | 8.31 | 7.25 | 7.19 | 8.41 |
| 4 Irredeemables (5) | 205.52 | -0.42 | 206.39 | 1.96 | 7.10 | Irred.† | 7.33 | 7.30 | 8.36 | | | | | | |
| 5 All stocks (61) | 145.97 | -0.23 | 146.31 | 2.76 | 5.68 | | | | | | | | | | |

| Index-linked | | | | | | | Inflation 5% Jun 18 | Jun 18 | Yr. ago | Inflation 10% Jun 18 | Jun 18 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 6 Up to 5 years (2) | 204.28 | -0.08 | 204.45 | 1.32 | 3.03 | Up to 5 yrs | 3.65 | 3.81 | 2.76 | 2.96 | 2.92 | 1.19 |
| 7 Over 5 years (10) | 195.46 | -0.34 | 196.14 | 1.66 | 2.86 | Over 5 yrs | 3.72 | 3.69 | 3.84 | 3.50 | 3.47 | 3.62 |
| 8 All stocks (12) | 195.33 | -0.32 | 195.95 | 1.62 | 2.86 | | | | | | | |

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

### FT Fixed Interest Indices

| | Jun 19 | Jun 18 | Jun 17 | Jun 16 | Jun 13 | Yr ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt. Secs. (UK) | 96.04 | 96.29 | 96.66 | 96.94 | 96.79 | 92.00 | 97.51 | 93.31 |
| Fixed Interest | 123.15 | 122.67 | 122.24 | 122.14 | 120.99 | 111.42 | 123.15 | 115.32 |

### Gilt Edged Activity Indices

| | Jun 18 | Jun 17 | Jun 16 | Jun 13 | Jun 12 |
|---|---|---|---|---|---|
| Gilt Edged bargains | NA | NA | NA | NA | NA |
| 5-day average | NA | NA | NA | NA | NA |

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. Gilt Edged volume data will be unavailable until further notice.

## FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on June 19

| | Issued | Bid | Offer | Chg | Yield |
|---|---|---|---|---|---|
| **U.S. DOLLAR STRAIGHTS** | | | | | |
| Abbey Natl Treasury 6½ 03 | 1500 | 99¼ | 99½ | | 6.65 |
| ABN Amro Bank 7¼ 05 | 1000 | 101¾ | 102 | | 7.08 |
| African Dev Bk 7⅜ 23 | 500 | 100¾ | 101¼ | +⅛ | 7.31 |
| Alberta Province 7⅜ 98 | 1000 | 101⅞ | 102 | | 6.12 |
| Spain 7¼ 03 | 4000 | 110⅝ | 110⅝ | -⅛ | 5.05 |
| Volkswagen Intl Fin 7 03 | 1000 | 108¼ | 105¼ | -⅛ | 5.36 |
| World Bank 5⅞ 03 | 3000 | 104⅛ | 104¼ | -⅛ | 5.10 |
| World Bank 6⅛ 02 | 3000 | 105⅞ | 105⅞ | -⅛ | 4.83 |
| World Bank 7⅛ 05 | 3000 | 109⅞ | 109⅞ | -⅛ | 5.53 |
| Abbey Natl Treasury 6 03 £ | 1000 | 101⅞ | 102 | -⅛ | 7.56 |
| British Land 8⅞ 23 £ | 150 | 104 | 104¼ | -⅛ | 8.57 |
| Denmark 6¾ 98 £ | 800 | 99½ | 99⅝ | | 7.17 |
| Depfa Finance 7¼ 03 £ | 500 | 97½ | 97¾ | -¼ | 7.62 |
| EIB 6 03 £ | 1000 | 103 | 103½ | -¼ | 7.36 |

[illegible]

## UK GILTS PRICES

[illegible]

## Other Fixed Interest

[illegible]

## CURRENCIES AND MONEY

# Relief on trade data boosts dollar

MARKETS REPORT

By Simon Kuper

The dollar rose against the yen yesterday as trade tensions between the US and Japan seemed to diminish.

The US released figures showing that its trade deficit rose by less than expected in April. This defused fears that Washington might use the Group of Seven summit starting in Denver today to call on Japan to reduce its trade surplus. Figures released oo Wednesday showed that the Japanese surplus jumped 222 per cent in the year to May. Some traders who had approached Denver with large holdings of yen sold yesterday, deciding that the summit would have little impact on trade and currencies.

The dollar rose Y0.7 against the Japanese currency to close in London at Y113.9. The D-Mark rose almost Y0.5 against the yen to Y66.03, buoyed by a stronger than expected Ifo survey of business confideoce in western Germany, and by Mr Lionel Jospin's policy speech to the French parliament. Mr Jospin, the new French socialist prime minister, said France remained committed to European monetary union but said nothing about trying to meet the fiscal criteria for Emu. Economists said Freoch public spending and inflation were likely to rise, making a delay to Emu possible. The D-Mark also firmed against the dollar to DM1.725.

Strong UK money supply data boosted the pound by 0.8 pfennigs against the D-Mark and 0.7 cents against the dollar to DM2.840 and $1.647 respectively.

■ Pound in New York

| Jun 19 | —Latest— | – Prev. close – |
|---|---|---|
| £ spot | 1.6470 | 1.6380 |
| 1 mth | 1.6458 | 1.6368 |
| 3 mth | 1.6430 | 1.6341 |
| 1 yr | 1.6306 | 1.6223 |

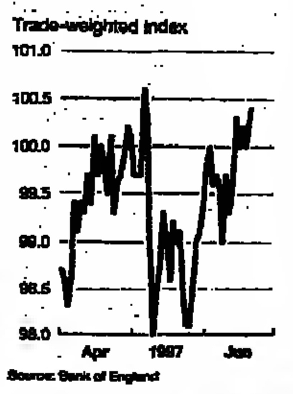
■ The Thai baht was back in trouble yesterday. The resignation of the finance minister, Mr Amnuay Viravan, who had opposed a devaluation, sent the offshore baht rate falling from Bt23.55 to Bt25.10 against the dollar. The onshore baht dropped from Bt25.865 to Bt25.895 against the dollar.

The baht was attacked last mooth by hedge fuods, which bet that the large Thai current account deficit and shaky financial system would soon hit the currency. Thailand fended off the assailants, thanks to other regional central banks which offered to support the baht, and to a decision to separate offshore and onshore markets.

Offshore, interest rates went sky-high, making it too expensive for foreign investors to borrow baht in order to sell them. Onshore, the Thai central bank leaned oo local banks to dissuade them from attacking the baht.

**Sterling**

Trade-weighted index




Source: Bank of England

However, there is a cost to the policy. The shortest term offshore interest rates yesterday rose to several hundred per cent. Onshore, said Mr David Simmonds, emerging markets economist at Citibank in London, interest rates were higher than the government would like given the slowing economy. The two tier structure, he said, "can't be a lasting or long term solution to the problems that Thailand faces". The high interest rates have hit the stock market, which has lost 44 per cent of its value this year.

But Mr Simmonds added: "The signs are that Thailand will attempt to continue its vigorons defence of the baht." If the two-tier structure survived, the Thai economy would win time to improve. That could save the baht from devaluation.

■ 4CAST, the economic consultancy, has noted that as England has thrashed Australia at cricket this summer, so the pound has surged against the Australian dollar.

■ OTHER CURRENCIES

| Jun 19 | £ | $ |
|---|---|---|
| Czech Rp | 52.6045 - 52.7600 | 31.9590 - 32.0340 |
| Hungary | 304.823 - 305.080 | 185.190 - 185.240 |
| Iran | 4941.00 - 4936.00 | 3000.00 - 3000.00 |
| Kuwait | 0.4979 - 0.4990 | 0.3025 - 0.3030 |
| Poland | 5.3276 - 5.3374 | 3.2367 - 3.2407 |
| Russia | 9484.25 - 9493.31 | 5762.00 - 5764.00 |
| U.A.E. | 6.0453 - 6.0496 | 3.6727 - 3.6731 |

Why should this be? 4CAST cites "Rate Cut Rory", the moniker of an analyst at a major US bank in Sydney, who has told clients that Australia will cut rates on Monday. Rory's rate forecasts have been so good that they have drawn the attention of the Reserve Bank, says 4CAST.

The Australian cash rate is now 5.50 per cent, down 2 percentage points over the last year. "You take another 50 basis points off and suddenly the Australian dollar is no longer a high yielding curreocy," says Mr Carl Weinberg, chief economist at High Frequency Economics in New York.

Meanwhile the UK has raised base rates by 50 basis points to 6.50 per cent so far this summer. The Aussie dollar yesterday fell 1.7 cents agaioet the pound to A$2.2014. Could these moves, in some mysterious way, be boosting the hitherto feckless England cricket team?

## POUND SPOT FORWARD AGAINST THE POUND

| Jun 19 | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 19.9829 | +0.0558 | 724 - 933 | 20.0416 | 19.9631 | 19.9285 | 3.3 | 19.8158 | 3.3 | 19.3103 | 3.4 | 102.7 |
| Belgium | (BFr) | 58.5990 | +0.1732 | 482 - 497 | 58.7670 | 58.5320 | 58.4319 | 3.4 | 58.0886 | 3.5 | 56.5473 | 3.6 | 102.5 |
| Denmark | (DKr) | 10.8142 | +0.0299 | 093 - 191 | 10.8482 | 10.7988 | 10.7869 | 3.0 | 10.7295 | 3.1 | 10.48 | 3.1 | 105.1 |
| Finland | (FM) | 8.5043 | +0.0174 | 976 - 110 | 8.5290 | 8.4790 | 8.479 | 3.6 | 8.4265 | 3.7 | 8.2138 | 3.4 | 82.1 |
| France | (FFr) | 9.5802 | +0.0277 | 764 - 839 | 9.6147 | 9.5699 | 9.5541 | 3.3 | 9.4995 | 3.4 | 9.2548 | 3.4 | 105.1 |
| Germany | (DM) | 2.8398 | +0.008 | 384 - 411 | 2.8508 | 2.8354 | 2.8314 | 3.5 | 2.814 | 3.6 | 2.7372 | 3.6 | 103.8 |
| Greece | (Dr) | 448.885 | +0.673 | 667 - 104 | 450.076 | 448.507 | 450.669 | -4.8 | 453.292 | -3.9 | 461.66 | -2.8 | 65.2 |
| Ireland | (I£) | 1.0891 | +0.003 | 878 - 903 | 1.0903 | 1.0869 | 1.0887 | 0.4 | 1.0877 | 0.5 | 1.0796 | 0.9 | 88.6 |
| Italy | (L) | 2780.53 | +5.91 | 927 - 178 | 2787.50 | 2773.80 | 2780.61 | 0.0 | 2780.54 | 0.0 | 2778.98 | 0.1 | 76.4 |
| Luxembourg | (LFr) | 58.5990 | +0.1732 | 482 - 497 | 58.7670 | 58.5320 | 58.4319 | 3.4 | 58.0886 | 3.5 | 56.5473 | 3.5 | 102.5 |
| Netherlands | (Fl) | 3.1951 | +0.0086 | 937 - 965 | 3.2051 | 3.1923 | 3.1857 | 3.5 | 3.1666 | 3.6 | 3.0827 | 3.5 | 102.0 |
| Norway | (NKr) | 11.9335 | +0.0847 | 238 - 432 | 11.9526 | 11.8144 | 11.9009 | 3.3 | 11.835 | 3.3 | 11.5694 | 3.1 | 96.4 |
| Portugal | (Es) | 285.849 | -0.016 | 680 - 018 | 286.819 | 285.675 | 285.693 | 0.7 | 285.163 | 1.0 | 281.075 | 1.7 | 93.4 |
| Spain | (Pta) | 239.525 | +0.629 | 411 - 639 | 240.400 | 239.370 | 239.271 | 1.3 | 238.597 | 1.5 | 234.979 | 1.0 | 77.3 |
| Sweden | (SKr) | 12.6961 | +0.0405 | 861 - 061 | 12.7287 | 12.6771 | 12.6717 | 2.3 | 12.6193 | 2.4 | 12.409 | 2.3 | 84.0 |
| Switzerland | (SFr) | 2.3569 | -0.0014 | 653 - 684 | 2.3775 | 2.3638 | 2.3563 | 5.3 | 2.3351 | 5.4 | 2.3444 | 5.2 | 105.3 |
| UK | (£) | - | - | - | - | - | - | - | - | - | - | - | 100.4 |
| Ecu | - | 1.4523 | +0.0035 | 515 - 530 | 1.4569 | 1.4508 | 1.4493 | 2.4 | 1.4429 | 2.6 | 1.4133 | 2.7 | - |
| SDR† | - | 1.175981 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.6463 | +0.0068 | 458 - 468 | 1.6474 | 1.6377 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.7706 | +0.0078 | 699 - 713 | 1.7718 | 1.7601 | - | - | - | - | - | - | - |
| Canada | (C$) | 2.2867 | +0.013 | 859 - 878 | 2.2928 | 2.2804 | 2.2799 | 3.6 | 2.2667 | 3.5 | 2.2172 | 3.0 | 84.0 |
| Mexico | (New Peso) | 13.0189 | +0.0554 | 067 - 311 | 13.0330 | 12.9549 | - | - | - | - | - | - | - |
| USA | ($) | 1.6465 | +0.0068 | 460 - 470 | 1.6476 | 1.6379 | 1.6453 | 0.9 | 1.6426 | 1.0 | 1.6309 | 1.0 | 102.5 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 2.2014 | +0.0179 | 999 - 028 | 2.2035 | 2.1866 | 2.2008 | 0.3 | 2.1989 | 0.5 | 2.1888 | 0.8 | 91.6 |
| Hong Kong | (HK$) | 12.7464 | +0.0543 | 417 - 511 | 12.7546 | 12.6798 | 12.7454 | 0.1 | 12.7389 | 0.2 | 12.6839 | 0.5 | - |
| India | (Rs) | 58.9777 | +0.2682 | 186 - 367 | 59.0480 | 58.6370 | 59.1729 | -4.0 | 59.5735 | -4.0 | 61.2532 | -3.9 | - |
| Israel | (Shk) | 5.6275 | +0.0194 | 181 - 368 | 5.6366 | 5.6026 | - | - | - | - | - | - | - |
| Japan | (Y) | 187.504 | +1.006 | 364 - 643 | 188.060 | 185.540 | 186.529 | 6.2 | 184.574 | 6.3 | 176.289 | 6.0 | 133.5 |
| Malaysia | (M$) | 4.1421 | +0.0202 | 400 - 442 | 4.1444 | 4.1157 | 4.1463 | -1.2 | 4.1543 | -1.2 | 4.173 | -0.7 | - |
| New Zealand | (NZ$) | 2.3955 | +0.0176 | 935 - 974 | 2.3976 | 2.3726 | 2.3954 | 0.1 | 2.3963 | -0.1 | 2.4035 | -0.3 | 112.7 |
| Philippines | (Peso) | 43.4430 | +0.1893 | 886 - 973 | 43.5069 | 43.3607 | 43.6028 | -4.4 | 43.8523 | -3.8 | 44.9093 | -3.4 | - |
| Saudi Arabia | (SR) | 6.1756 | +0.0253 | 735 - 777 | 6.1795 | 6.1438 | 6.1721 | 0.7 | 6.1637 | 0.8 | 6.1272 | 0.8 | - |
| Singapore | (S$) | 2.3470 | +0.0107 | 454 - 485 | 2.3490 | 2.3349 | 2.3424 | 2.4 | 2.3323 | 2.5 | 2.2841 | 2.7 | - |
| South Africa | (R) | 7.4280 | +0.0282 | 249 - 337 | 7.4348 | 7.3951 | 7.4897 | -9.8 | 7.6076 | -9.6 | 8.0446 | -8.3 | - |
| South Korea | (Won) | 1462.92 | +6.87 | 918 - 666 | 1468.60 | 1455.69 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 45.9868 | +0.2227 | 399 - 337 | 46.0545 | 45.7305 | 45.9703 | 0.4 | 45.9305 | 0.5 | 45.7326 | 9.8 | - |
| Thailand | (Bt) | 42.6362 | +0.2253 | 409 - 314 | 43.8850 | 39.4180 | 42.9728 | -9.5 | 43.4344 | -7.5 | 44.4646 | -4.3 | - |

† Rates for Jun 18. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Jun 19 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | J.P. Morgan index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 12.1388 | -0.0163 | 338 - 382 | 12.2160 | 12.1305 | 12.1126 | 2.4 | 12.0636 | 2.4 | 11.8398 | 2.4 | 102.3 |
| Belgium | (BFr) | 35.5900 | -0.042 | 700 - 100 | 35.8200 | 35.5560 | 35.515 | 2.5 | 35.3635 | 2.5 | 34.67 | 2.6 | 102.4 |
| Denmark | (DKr) | 6.5880 | -0.009 | 670 - 690 | 6.6111 | 6.5645 | 6.5563 | 2.1 | 6.532 | 2.2 | 6.4256 | 2.2 | 104.3 |
| Finland | (FM) | 5.1651 | -0.0108 | 626 - 676 | 5.1955 | 5.1624 | 5.1636 | 2.7 | 5.13 | 2.7 | 5.0361 | 2.5 | 81.4 |
| France | (FFr) | 5.8165 | -0.0073 | 180 - 100 | 5.8572 | 5.8157 | 5.807 | 2.4 | 5.7832 | 2.4 | 5.6743 | 2.5 | 104.4 |
| Germany | (DM) | 1.7247 | -0.0023 | 244 - 250 | 1.7365 | 1.7235 | 1.7208 | 2.7 | 1.713 | 2.7 | 1.6781 | 2.7 | 103.1 |
| Greece | (Dr) | 272.630 | -0.72 | 580 - 680 | 274.580 | 272.490 | 273.925 | -5.7 | 275.98 | -4.0 | 283.13 | -3.9 | 64.8 |
| Ireland | (I£) | 1.5119 | +0.0021 | 106 - 131 | 1.5136 | 1.5039 | 1.5111 | 0.6 | 1.5102 | 0.4 | 1.5106 | 0.1 | - |
| Italy | (L) | 1688.75 | -3.4 | 850 - 900 | 1698.50 | 1685.70 | 1690.52 | -1.3 | 1693.53 | -1.1 | 1696.95 | -0.5 | 78.0 |
| Luxembourg | (LFr) | 35.5900 | -0.042 | 700 - 100 | 35.8200 | 35.5560 | 35.515 | 2.5 | 35.3635 | 2.5 | 34.67 | 2.6 | 102.4 |
| Netherlands | (Fl) | 1.9406 | -0.0026 | 403 - 408 | 1.9536 | 1.9383 | 1.9364 | 2.6 | 1.9279 | 2.6 | 1.8901 | 2.6 | 101.0 |
| Norway | (NKr) | 7.2478 | +0.0218 | 441 - 515 | 7.2827 | 7.2105 | 7.2333 | 2.4 | 7.2049 | 2.4 | 7.0932 | 2.1 | 96.0 |
| Portugal | (Es) | 173.610 | -0.73 | 560 - 660 | 174.006 | 173.650 | 173.574 | 0.3 | 173.52 | 0.2 | 172.35 | 0.7 | 93.6 |
| Spain | (Pta) | 145.475 | -0.22 | 450 - 500 | 146.260 | 145.410 | 145.43 | 0.4 | 145.255 | 0.6 | 144.06 | 1.0 | 76.9 |
| Sweden | (SKr) | 7.7110 | -0.0073 | 072 - 147 | 7.7690 | 7.7054 | 7.702 | 1.4 | 7.6826 | 1.5 | 7.6086 | 1.3 | 83.4 |
| Switzerland | (SFr) | 1.4375 | -0.0068 | 370 - 380 | 1.4498 | 1.4365 | 1.4322 | 4.5 | 1.4216 | 4.5 | 1.376 | 4.3 | 104.7 |
| UK | (£) | 1.6465 | +0.0068 | 460 - 470 | 1.6478 | 1.6379 | 1.6453 | 0.9 | 1.6426 | 1.0 | 1.6309 | 1.0 | 99.0 |
| Ecu | - | 1.1338 | +0.002 | 335 - 340 | 1.1350 | 1.1250 | 1.1352 | -1.5 | 1.1384 | -1.8 | 1.154 | -1.8 | - |
| SDR† | - | 0.71638 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 0.9999 | - | 998 - 999 | 0.9999 | 0.9999 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.0754 | +0.0003 | 753 - 755 | 1.0755 | 1.0747 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.3889 | +0.0022 | 886 - 891 | 1.3932 | 1.3885 | 1.3858 | 2.7 | 1.38 | 2.5 | 1.3595 | 2.1 | 83.8 |
| Mexico | (New Peso) | 7.9070 | +0.001 | 020 - 120 | 7.9125 | 7.9020 | 8.0155 | -16.5 | 8.2265 | -16.2 | 8.877 | 15.6 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 103.4 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.3370 | +0.0054 | 365 - 374 | 1.3380 | 1.3362 | 1.3368 | 0.2 | 1.3362 | 0.2 | 1.3319 | 0.4 | 93.9 |
| Hong Kong | (HK$) | 7.7415 | +0.001 | 410 - 420 | 7.7422 | 7.7409 | 7.742 | -0.1 | 7.7429 | -0.1 | 7.7452 | 0.0 | - |
| India | (Rs) | 35.8200 | +0.015 | 950 - 450 | 35.8460 | 35.7820 | 35.9575 | -4.6 | 36.2425 | -4.7 | 37.455 | -4.6 | - |
| Israel | (Shk) | 3.4179 | -0.0023 | 138 - 218 | 3.4252 | 3.4128 | - | - | - | - | - | - | - |
| Japan | (Y) | 113.880 | +0.89 | 830 - 930 | 114.250 | 113.140 | 113.365 | 5.4 | 112.365 | 5.3 | 108.065 | 5.1 | 135.5 |
| Malaysia | (M$) | 2.5157 | +0.0019 | 152 - 162 | 2.5175 | 2.5120 | 2.5202 | -2.1 | 2.5292 | -2.1 | 2.5592 | -1.7 | - |
| New Zealand | (NZ$) | 1.4549 | +0.0047 | 541 - 556 | 1.4586 | 1.4532 | 1.4557 | -0.7 | 1.4581 | -0.9 | 1.4682 | -0.9 | - |
| Philippines | (Peso) | 26.3850 | +0.006 | 600 - 100 | 26.4100 | 26.3600 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 3.7506 | -0.0001 | 506 - 509 | 3.7510 | 3.7505 | 3.7515 | -0.2 | 3.7525 | -0.2 | 3.7571 | -0.2 | - |
| Singapore | (S$) | 1.4254 | +0.0006 | 249 - 259 | 1.4287 | 1.4248 | 1.4237 | 1.5 | 1.4199 | 1.6 | 1.4004 | 1.8 | - |
| South Africa | (R) | 4.5120 | -0.0015 | 105 - 135 | 4.5175 | 4.5100 | 4.5525 | -10.8 | 4.632 | -10.6 | 4.9345 | -9.4 | - |
| South Korea | (Won) | 888.500 | +0.5 | 500 - 500 | 890.600 | 886.400 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 27.9300 | +0.02 | 100 - 500 | 27.9600 | 27.9000 | 27.941 | -0.5 | 27.95 | -0.3 | 28.0425 | -0.4 | - |
| Thailand | (Bt) | 25.8950 | +0.03 | 450 - 450 | 26.8000 | 24.0500 | 26.12 | -10.4 | 26.445 | -8.5 | 27.27 | -5.3 | - |

† SDR rate per $ for Jun 18. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 18: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

## WORLD INTEREST RATES

### MONEY RATES

| June 19 | Over night | One month | Three mths | Six mths | One year | Lomb. inter. | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Belgium | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 8.00 | 2.50 | - |
| France | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 3.10 | - | 4.75 |
| Germany | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 4.50 | 2.50 | 3.00 |
| Ireland | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | - | 6.75 |
| Italy | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 8.25 | 6.75 | 6.82 |
| Netherlands | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | 2.50 | 2.90 |
| Switzerland | 1 | [illegible] | [illegible] | [illegible] | [illegible] | - | 1.00 | - |
| US | [illegible] | [illegible] | [illegible] | [illegible] | 6 | - | 5.00 | - |
| Japan | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - | 0.50 | - |
| ■ $ LIBOR FT London | | | | | | | | |
| Interbank Fixing | - | [illegible] | [illegible] | [illegible] | [illegible] | - | - | - |
| US Dollar CDs | - | 5.49 | 5.57 | 5.65 | 5.85 | - | - | - |
| ECU Linked Ds | - | [illegible] | [illegible] | [illegible] | [illegible] | - | - | - |
| SDR Linked Ds | - | [illegible] | [illegible] | [illegible] | [illegible] | - | - | - |

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

### EURO CURRENCY INTEREST RATES

| Jun 19 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Belgian Franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Danish Krone | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| German Mark | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Dutch Guilder | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| French Franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Portuguese Esc. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Spanish Peseta | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sterling | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Swiss Franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Canadian Dollar | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| US Dollar | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Italian Lira | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Japanese Yen | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Asian $Sing | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 96.55 | 96.52 | -0.03 | 96.56 | 96.51 | 18,006 | 67,810 |
| Dec | 96.54 | 96.51 | -0.03 | 96.54 | 96.50 | 8,482 | 34,971 |
| Mar | 96.46 | 96.43 | -0.03 | 96.48 | 96.43 | 5,631 | 31,052 |

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 96.83 | 96.82 | - | 96.83 | 96.82 | 13833 | 273870 |
| Dec | 96.72 | 96.71 | - | 96.73 | 96.70 | 14267 | 266720 |
| Mar | 96.62 | 96.60 | -0.01 | 96.63 | 96.60 | 15532 | 232454 |
| Jun | 96.45 | 96.42 | -0.02 | 96.45 | 96.42 | 14309 | 180055 |

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jul | 96.89 | 96.89 | - | 96.89 | 96.89 | 30 | 425 |
| Aug | | 96.88 | - | | | 0 | 190 |
| Sep | | 96.86 | - | | | 0 | 3 |
| Oct | | 96.83 | - | | | 0 | 50 |

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 93.47 | 93.43 | - | 93.52 | 93.43 | 35002 | 115593 |
| Dec | 93.81 | 93.78 | -0.01 | 93.86 | 93.76 | 17282 | 70805 |
| Mar | 94.08 | 93.97 | -0.03 | 94.08 | 93.97 | 9256 | 42455 |
| Jun | 94.20 | 94.10 | -0.05 | 94.25 | 94.10 | 7536 | 30882 |

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 98.47 | 98.53 | +0.07 | 98.56 | 98.45 | 10217 | 70569 |
| Dec | 98.31 | 98.38 | +0.07 | 98.39 | 98.30 | 4949 | 41262 |
| Mar | 98.20 | 98.26 | +0.06 | 98.27 | 98.20 | 295 | 15300 |
| Jun | 98.07 | 98.10 | +0.06 | 98.07 | 98.04 | 75 | 3782 |

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 99.30 | 99.30 | -0.02 | 99.30 | 99.30 | 8 | n/a |
| Dec | 99.09 | 99.09 | -0.01 | 99.09 | 99.09 | 20 | n/a |
| Mar | 98.88 | 98.88 | - | 98.88 | 98.88 | 20 | n/a |

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 95.88 | 95.83 | -0.02 | 95.88 | 95.83 | 1316 | 8557 |
| Dec | 95.78 | 95.78 | -0.02 | 95.81 | 95.78 | 616 | 5788 |
| Mar | 95.79 | 95.74 | -0.02 | 95.79 | 95.74 | 176 | 4233 |
| Jun | 95.70 | 95.67 | -0.03 | 95.70 | 95.67 | 155 | 2856 |

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

| Strike Price | CALLS Sep | Dec | Mar | PUTS Sep | Dec | Mar |
|---|---|---|---|---|---|---|
| 9325 | 0.31 | 0.64 | 0.87 | 0.13 | 0.13 | 0.15 |
| 9350 | 0.16 | 0.46 | 0.69 | 0.23 | 0.20 | 0.22 |
| 9375 | 0.07 | 0.31 | 0.52 | 0.39 | 0.30 | 0.30 |

Est. vol. total, Calls 5006 Puts 5735. Previous day's open int., Calls 59567 Puts 32048

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Jun 19 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 18.45 | 16.35 | 4.846 | 1.858 | 4745 | 5.453 | 20.36 | 487.8 | 408.8 | 21.67 | 4.039 | 1.707 | 3.903 | 2.810 | 320.0 | 2.478 |
| Denmark | (DKr) | 54.19 | 10 | 8.859 | 2.626 | 1.007 | 2571 | 2.955 | 11.04 | 264.3 | 221.5 | 11.74 | 2.189 | 0.925 | 2.115 | 1.523 | 173.4 | 1.343 |
| France | (FFr) | 61.17 | 11.29 | 10 | 2.964 | 1.137 | 2902 | 3.335 | 12.46 | 298.4 | 250.0 | 13.25 | 2.471 | 1.044 | 2.387 | 1.719 | 195.7 | 1.516 |
| Germany | (DM) | 20.64 | 3.808 | 3.374 | 1 | 0.384 | 979.2 | 1.125 | 4.202 | 100.7 | 84.35 | 4.471 | 0.833 | 0.352 | 0.805 | 0.580 | 66.03 | 0.511 |
| Ireland | (I£) | 53.81 | 9.930 | 8.797 | 2.608 | 1 | 2553 | 2.934 | 10.96 | 262.5 | 219.9 | 11.66 | 2.173 | 0.918 | 2.100 | 1.512 | 172.2 | 1.333 |
| Italy | (L) | 2.107 | 0.389 | 0.345 | 0.102 | 0.039 | 100 | 0.115 | 0.429 | 10.28 | 8.614 | 0.457 | 0.085 | 0.036 | 0.082 | 0.059 | 6.743 | 0.052 |
| Netherlands | (Fl) | 18.34 | 3.385 | 2.998 | 0.889 | 0.341 | 870.2 | 1 | 3.735 | 89.46 | 74.96 | 3.974 | 0.741 | 0.313 | 0.718 | 0.515 | 58.68 | 0.455 |
| Norway | (NKr) | 49.10 | 9.062 | 8.028 | 2.380 | 0.918 | 2330 | 2.678 | 10 | 239.5 | 200.7 | 10.64 | 1.983 | 0.838 | 1.918 | 1.380 | 157.1 | 1.217 |
| Portugal | (Es) | 20.50 | 3.783 | 3.351 | 0.993 | 0.381 | 972.7 | 1.118 | 4.175 | 100 | 83.78 | 4.442 | 0.828 | 0.350 | 0.800 | 0.576 | 65.60 | 0.508 |
| Spain | (Pta) | 24.46 | 4.515 | 4.000 | 1.186 | 0.455 | 1161 | 1.334 | 4.982 | 119.3 | 100 | 5.301 | 0.988 | 0.418 | 0.955 | 0.687 | 78.28 | 0.606 |
| Sweden | (SKr) | 46.15 | 8.518 | 7.546 | 2.237 | 0.858 | 2190 | 2.517 | 9.399 | 225.1 | 188.7 | 10 | 1.864 | 0.788 | 1.801 | 1.297 | 147.7 | 1.144 |
| Switzerland | (SFr) | 24.76 | 4.569 | 4.048 | 1.200 | 0.460 | 1175 | 1.350 | 5.042 | 120.8 | 101.2 | 5.364 | 1 | 0.423 | 0.966 | 0.696 | 79.22 | 0.614 |
| UK | (£) | 58.60 | 10.81 | 9.580 | 2.840 | 1.089 | 2781 | 3.196 | 11.93 | 285.8 | 239.5 | 12.70 | 2.367 | 1 | 2.287 | 1.647 | 187.5 | 1.452 |
| Canada | (C$) | 25.62 | 4.729 | 4.189 | 1.242 | 0.476 | 1218 | 1.397 | 5.218 | 125.0 | 104.7 | 5.552 | 1.035 | 0.437 | 1 | 0.720 | 81.99 | 0.635 |
| USA | ($) | 35.59 | 6.568 | 5.818 | 1.725 | 0.661 | 1689 | 1.941 | 7.248 | 173.6 | 145.5 | 7.711 | 1.438 | 0.607 | 1.389 | 1 | 113.9 | 0.882 |
| Japan | (Y) | 31.25 | 5.767 | 5.109 | 1.514 | 0.581 | 1483 | 1.704 | 6.364 | 152.4 | 127.7 | 6.771 | 1.262 | 0.533 | 1.220 | 0.878 | 100 | 0.775 |
| Ecu | - | 40.35 | 7.447 | 6.597 | 1.955 | 0.750 | 1915 | 2.200 | 8.218 | 196.8 | 164.9 | 8.743 | 1.630 | 0.689 | 1.575 | 1.134 | 129.1 | 1 |

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 0.5800 | 0.5794 | -0.0010 | 0.5818 | 0.5794 | 17,369 | 65,913 |
| Dec | 0.5843 | 0.5843 | +0.0001 | 0.5843 | 0.5833 | 25 | 869 |
| Mar | - | 0.5908 | - | 0.5906 | 0.5885 | 2 | 123 |

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 0.8911 | 0.8892 | -0.0025 | 0.8948 | 0.8870 | 19,441 | 51,687 |
| Dec | 0.8990 | 0.8990 | -0.0045 | 0.9005 | 0.8990 | 3 | 1,011 |
| Mar | - | 0.9173 | - | - | - | 10 | 105 |

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 0.6981 | 0.6995 | +0.0014 | 0.6996 | 0.6967 | 7,793 | 31,401 |
| Dec | - | 0.7061 | +0.0005 | 0.7069 | 0.7055 | 18 | 774 |
| Mar | - | 0.7145 | - | - | - | 5 | 23 |

■ STERLING FUTURES (IMM) £62,500 per £

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 1.6346 | 1.6360 | +0.0010 | 1.6396 | 1.6342 | 7,388 | 34,262 |
| Dec | - | 1.6300 | - | 1.6340 | - | 81 | 142 |
| Mar | - | 1.6262 | - | 1.6300 | - | 1 | 2 |

## UK INTEREST RATES

### LONDON MONEY RATES

| Jun 19 | Over-night | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Interbank Sterling | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sterling CDs | - | - | [illegible] | [illegible] | [illegible] | [illegible] |
| Treasury Bills | - | - | [illegible] | [illegible] | - | - |
| Bank Bills | - | - | [illegible] | [illegible] | [illegible] | - |
| Local authority deps. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Discount Market deps | [illegible] | [illegible] | - | - | - | - |

UK clearing bank base lending rate 6½ per cent from Jun 6, 1997

| | Up to 1 month | 1-3 month | 3-6 months | 6-9 months | 9-12 months |
|---|---|---|---|---|---|
| Certs of Tax dep. (£100,000) | 2½ | 5½ | 5 | 6 | 4¾ |

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Jun 13, 6.3110pc. ECGD fixed rate Stlg. Export Finance. Make up day May 30, 1997. Agreed rate for period Jun 25, 1997 to Jul 25, 1997, Scheme III 7.78pc. Reference rate for period May 1, 1997 to May 30, 1997, Schemes IV & V 6.530pc. Finance House Base Rate 7pc from Jun 1, 1997

### EMS EUROPEAN CURRENCY UNIT RATES

| Jun 19 | Ecu cen. rates | Rate against Ecu | Change on day | % +/- from cen. rate | % spread v weakest | Div. ind. |
|---|---|---|---|---|---|---|
| Ireland | 0.798709 | 0.752241 | -0.001291 | -5.82 | 8.95 | 39 |
| Portugal | 197.398 | 197.770 | -0.27 | 0.19 | 2.42 | -1 |
| Finland | 5.85424 | 5.88147 | +0.00621 | 0.47 | 2.14 | -3 |
| Italy | 1906.48 | 1921.77 | -1.85 | 0.80 | 1.80 | -6 |
| Spain | 163.826 | 165.628 | -0.023 | 1.10 | 1.50 | -8 |
| Denmark | 7.34555 | 7.47896 | +0.00699 | 1.82 | 0.78 | -12 |
| Netherlands | 2.16979 | 2.21026 | +0.00283 | 1.87 | 0.73 | -14 |
| Germany | 1.92573 | 1.96406 | +0.00178 | 1.99 | 0.61 | -20 |
| Austria | 13.5485 | 13.8218 | +0.0124 | 2.02 | 0.58 | -15 |
| Belgium | 39.7191 | 40.5302 | +0.0355 | 2.04 | 0.56 | -15 |
| France | 6.45863 | 6.62736 | +0.00316 | 2.61 | 0.00 | -22 |
| NON ERM MEMBERS | | | | | | |
| Greece | 295.269 | 310.440 | -0.103 | 5.14 | -2.40 | - |
| UK | 0.793103 | 0.691219 | -0.002704 | -12.85 | 17.74 | - |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 93.07 | 93.04 | -0.02 | 93.07 | 93.04 | 24773 | 137935 |
| Dec | 92.88 | 92.84 | -0.04 | 92.88 | 92.84 | 42895 | 115371 |
| Mar | 92.77 | 92.72 | -0.05 | 92.77 | 92.72 | 15296 | 70841 |
| Jun | 92.70 | 92.65 | -0.06 | 92.70 | 92.65 | 6715 | 46752 |
| Sep | 92.66 | 92.61 | -0.05 | 92.66 | 92.61 | 4124 | 32183 |

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

| Strike Price | CALLS Sep | Dec | Mar | PUTS Sep | Dec | Mar |
|---|---|---|---|---|---|---|
| 9300 | 0.13 | 0.09 | 0.14 | 0.09 | 0.25 | 0.42 |
| 9325 | 0.03 | 0.03 | 0.07 | 0.24 | 0.44 | 0.60 |
| 9350 | 0 | 0 | 0.03 | 0.46 | 0.66 | 0.81 |

Est. vol. total, Calls 7515 Puts 16536. Previous day's open int., Calls 119456 Puts 102961

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

| Strike Price | CALLS Jul | Aug | Sep | PUTS Jul | Aug | Sep |
|---|---|---|---|---|---|---|
| 1.620 | 2.22 | 2.73 | 3.18 | 0.46 | 1.15 | 1.65 |
| 1.630 | 1.54 | 2.21 | 2.58 | 0.73 | 1.55 | 2.08 |
| 1.640 | 0.99 | 1.70 | 2.07 | 1.19 | 2.04 | 2.54 |

Previous day's vol., Calls 468 Puts 512. Prev. day's open int., Calls 25,540 Puts 26,135

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

| Strike Price | CALLS Jul | Aug | | PUTS Jul | Aug | |
|---|---|---|---|---|---|---|
| 0.570 | 0.99 | 1.33 | 1.61 | 0.23 | 0.46 | 0.60 |
| 0.575 | 0.66 | 1.02 | 1.30 | 0.40 | 0.65 | 0.80 |
| 0.580 | 0.41 | 0.78 | 1.03 | 0.65 | 0.89 | 1.04 |

Previous day's vol., Calls 3,431 Puts 1,622. Prev. day's open int., Calls 9,236 Puts 16,132

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 94.15 | 94.15 | +1.67 | 94.18 | 94.14 | 80,651 | 538,818 |
| Dec | 93.96 | 93.96 | -0.26 | 93.97 | 93.95 | 71,648 | 433,573 |
| Mar | 93.88 | 93.89 | -0.30 | 93.90 | 93.87 | 54,884 | 280,843 |

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | - | 96.05 | - | - | 95.05 | 41 | 1,434 |
| Sep | 94.82 | 94.83 | - | 94.82 | 94.82 | 291 | 7,247 |

All Open Interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

| Strike Price | CALLS Jul | Aug | Sep | Dec | PUTS Jul | Aug | Sep | Dec |
|---|---|---|---|---|---|---|---|---|
| 9675 | 0.08 | 0.09 | 0.09 | 0.10 | 0.01 | 0.02 | 0.02 | 0.14 |
| 9700 | 0.01 | 0.01 | 0.01 | 0.02 | 0.19 | 0.19 | 0.19 | 0.31 |
| 9725 | 0 | 0 | 0 | 0 | 0.43 | 0.43 | 0.43 | 0.54 |

Est. vol. total, Calls 7507 Puts 10315. Previous day's open int., Calls 346786 Puts 241548

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

| Strike Price | CALLS Sep | Dec | Mar | PUTS Sep | Dec | Mar |
|---|---|---|---|---|---|---|
| 9875 | 0.07 | 0.09 | 0.10 | 0.29 | 0.48 | 0.59 |
| 9900 | 0.02 | 0.03 | 0.04 | 0.49 | 0.65 | 0.78 |

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 2625 Puts 3066

### BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 6.50 | Duncan Lawrie | 6.25 | ●Singer & Friedlander | 6.25 |
| Allied Irish Bank (GB) | 6.50 | Exeter Bank Limited | 7.50 | ●Smith & Williamson Secs | 6.50 |
| ●Henry Ansbacher | 6.50 | Financial & Gen Bank | 7.50 | Scottish Widows Bank | 6.50 |
| Bank of Baroda | 6.50 | ●Robert Fleming & Co | 6.50 | TSB | 6.50 |
| Banco Bilbao Vizcaya | 6.50 | ●Guinness Mahon | 6.50 | United Bank of Kuwait | 6.50 |
| Bank of Cyprus | 6.50 | Habib Bank AG Zurich | 6.50 | Unity Trust Bank Plc | 6.50 |
| Bank of Ireland | 6.50 | ●Hambros Bank | 6.50 | Western Trust | 6.50 |
| Bank of India | 6.50 | Heritable & Gen Inv Bk | 6.50 | Whiteaway Laidlaw | 6.50 |
| Bank of Scotland | 6.50 | C. Hoare & Co | 6.50 | Yorkshire Bank | 6.50 |
| Barclays Bank | 6.50 | Hongkong & Shanghai | 6.50 | | |
| Brit Bk of Mid East | 6.50 | Investec Bank (UK) Ltd | 6.50 | | |
| ●Brown Shipley & Co Ltd | 6.25 | Julian Hodge Bank | 6.50 | | |
| Citibank NA | 6.50 | ●Leopold Joseph & Sons | 6.50 | | |
| Clydesdale Bank | 6.50 | Lloyds Bank | 6.50 | | |
| The Co-operative Bank | 6.50 | Midland Bank | 6.25 | | |
| Coutts & Co | 6.50 | NatWestminster | 6.50 | | |
| Cyprus Popular Bank | 6.50 | ●Rea Brothers | 6.50 | | |
| | | Royal Bk of Scotland | 6.25 | | |

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* In administration

## COMMODITIES AND AGRICULTURE

# European farmers 'face subsidy cuts'

By Neil Buckley in Brussels

European farmers will today be warned that they face cuts in subsidies, with prices falling to come in line with world levels to avoid creation of new food "mountains".

Mr Franz Fischler, the European Union agriculture commissionar, will say that these harsh measures are needed – or tha new mountains will dwarf those of tha past.

The speech to the Brussels-based Centre for European Policy Studies is expected to give the clearest indication yet of the likely shape of proposals to reform the EU's Common Agricultural Policy, due to be announced on July 16. Mr Fischler will say that only a shift towards a more market-based system will enable EU agriculture to withstand the challenges of expansion to the east and world trade talks at the turn of the century.

Agreement on a new EU treaty in Amsterdam this week cleared the way for negotiations on EU enlargement to begin in six months – which Mr Fischler says makes agricultural reform imperative. The absorption of poorer, farm-intensive countries such as Poland and Hungary will impose severe strains on the curreot system, which supports EU agricultural prices at above world levels.

"It is my task to show that a new overproduction crisis is looming sooner rather than later, and that we have an interest not to wait until it becomes manifest, or the change will have to be greater and quicker, and hurt more," warns Mr Fischler.

To cope with the problem, he will call for:

- Less reliance on price support mechanisms, and reductions in "intervention" prices – the threshold at which the European Commission steps in to buy surplus produce – so they become a genuine "safety net" again.
- Cuts in export prices so that EU products can compete on world markets.
- A further shift towards direct income support for farmers who most need it.
- A more decentralised approach to implementation of the CAP, but avoiding "renationalisation" of agricultural policies.
- "Modulation" of farm subsidies, or adjustment according to the size of farms and their incomes, determined at national or regional level. The commission calculates that 80 per cent of aid goes to the largest 20 per cent of farmers.
- A shift in aid payments to support rural tourism and creation of small businesses, rather than just agricultural production.

# Gold hit by Belgian move

MARKETS REPORT

By Kenneth Gooding and Gary Mead

Gold slipped below the key level of $340 a troy ounce yesterday to close in London at $339.75, compared with $340.85 at Wednesday's close.

The downward move was triggered by a proposal by Belgium's government that it should increase the amount of gold sold from its reserves as coins, reinforcing fears that central banks are becoming more willing to sell their gold.

Mr Andy Smith, analyst at Union Bank of Switzerland, said gold was likely to rally to about $360 an ounce in the summer then fall to $320, a price last seen in 1992.

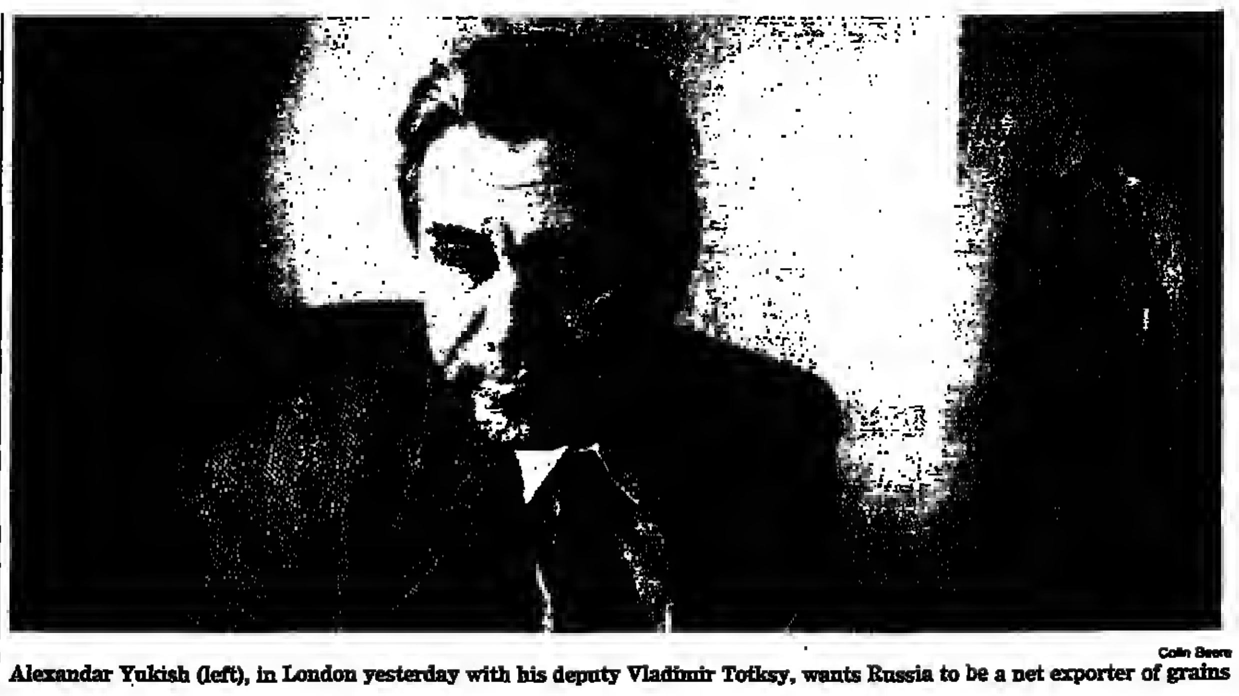
On the London Metal Exchange zinc moved to $1,393 a tonne, a 4½-year high. Mr Robin Bhar, analyst at Brandeis (Brokers), said: "There has been fund and speculative buying but it is difficult to see why prices should be up at these levels." He suggested zinc was "going for a look at $1,400".

Copper prices are likely to remain volatile and spike upwards on news of any interruptions to supply, Rudolf Wolff suggests in a special report. However, analyst Mr Martin Squires says the price is likely to be much below tha present level in six to 12 months time. "We feel copper has the potential to rally and reach $2,715 a tonne in the third quarter before falling below $2,000 in the longer term."

Coffee prices slid further, with slow trading blamed on a lack of frost in Brazil. Prices have been surging on tight supply, low stocks and fear of frost in Brazil.

On the London International Financial Futures Exchange, the September robusta future finisbed $5 a tonne lower at $1,860. Earlier it bad traded as low as $1,775. Dealers said the prolonged mild weather in Brazil was an important factor in the lacklustre trading session. On New York's Coffee Sugar and Cocoa Exchange in New York, the September contract slipped to a two-month low of 168.75 cents a pound before recovering to 176 cents by midday.

On Liffe, cocoa looked as though it might prolong the one-year peak of £1,140 reached by the September contract on Monday; but that hope was disappointed in spite of some active trading, and it closed at £1,135 a tonne, £17 up on the previous close. Dealers are awaiting firmer news on tbe important Ivory Coast crop.



Colin Beere

Alexandar Yukish (left), in London yesterday with his deputy Vladimir Totksy, wants Russia to be a net exporter of grains

# Russian grain harvest just ahead

By Gary Mead

Mr Alexander Yukish, president of the Russian Grain Union, yesterday said this year's Russian grain harvest will be some 70m tonnes, only slightly better than 1995-96's 69.3m tonnes.

In an interview with the Financial Times, Mr Yukish said Russia would import slightly more than 4m tonnes in the current agricultural year to July meet its needs.

"It is our ambition to become a net exporter of grains, bnt we see it as a task to be realised only in the distant future," said Mr Yukish, in London for the International Grains Council conference at Canary Wharf. "Our prime ambition is to restore grain production levels in order to increase the level of Russia's livestock, which is the prime consumer of our grains."

Herd sizes have fallen dramatically in Russia, with the collapse of grain production in the past couple of years.

Mr Vladimir Totsky, RGU vice-president, said that with the withdrawal of the state from the grain market that there was no marketing infrastructure for Russian grains.

"One of our fundamental aims is to recreate such a marketing infrastructure," be said. "We have to change the attitudes of farmers, weaning them away from a belief that the state will provide everything. We also have to find ways of providing sufficient finance for agricultural development."

Mr Totsky said to boost agricultural finance in Russia "we must revise the legal framework, develop new financial instruments, establish a futures exchange and ensure that proper market information is available". Commodity exchanges in Rnssia were "little more than oriental bazaars".

"They are slowly dying out because they cannot provide what the market needs, which is a real futures market for agricultural products ... in order that farmers can have some pricing transparency," Mr Totsky added.

See World Trade

# West woos Russian goldminer

A small gold producer in the Russian republic of Buryatia, bordering Mongolia, has captured tbe attention of the European Bank for Reconstruction and Development and several North American and European investors.

Buryatzoloto, which operates twn mines near Lake Baikal, cemented a US$5m working capital facility earlier this week with Gerald Metals, the US-based trading house. Under the deal, Gerald will pre-pay for gold deliveries from Buryatzoloto for up to aix months.

The deal follows a financing package last December which boosted Buryatzoloto's capital to $30m, mainly through an infusion of $7.5m in equity plus $10m in loans from the EBRD. The bank, which has taken a cautious approach to mining investments in Russia, has acquired a 19.6 per cent equity stake.

The financing also brought in as shareholders two UK institutions, Mercury Asset Management and Robert Fleming.

High River Gold, a small Canadian mining group, is Buryatzoloto's biggest shareholder, with 23 per cent.

The Russian company expects to start an American Depositary Receipts programme through the Bank of New York next month.

It aims to list on either the London or Toronto stock exchanges as soon as it can comply with western accounting and disclosure standards, perbaps within the next 18 months.

Unlike many other Russian mining projects, Buryatzoloto has produced gold for several years without interruption. It forecasts 1997 output at 80,000 ounces, up from 74,000 ounces last year. Reserves are estimated at 3.2m ounces. Cash production costs are estimated at $315 an ounce this year, about 12 per cent lower than 1996.

Mr David Mosher, High River's chief executive, praised Buryatzoloto's "very disciplined, experienced" management, led by Mr Valery Dmitriev, general director. Mr Mosher said Buryatzoloto had switched from placer (or alluvial) mining to underground operations under "very onerous" political, economic and financial conditions. He added that the mines were still operating with 1950s technology "That bodes well for them if they can get a little help," he said.

According to unaudited financial atatements, Buryatzoloto earned net income of $168,000 last year, compared with a $2.3m loss in 1995.

The EBRD spent more than two years reviewing Buryatzoloto's applicatinn. Mr Kevin Bortz, an EBRD official, said "tbe track record has given us a lot of comfort". In a rare move, the bank approved its funding package without performance guarantees frnm western investors.

Buryatzoloto aims to lift annual production tn at least 200,000 ounces witbin the next three years at a cost of $60m.

However, T. Hoare, the London stockbrokers, noted in a recent report that "there is a degree of confusion – and indeed, a difference of opinion – over the correct path to be taken in .... Buryatzoloto's development ... The management is facing the conundrum of short-term profit versus long-term sustainable production and cash flow."

**Bernard Simon**

## COMMODITIES PRICES

### BASE METALS

#### LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1567-8 | 1590-91 |
| Previous | 1569-70 | 1594-95 |
| High/low | | 1595/1583 |
| AM Official | 1570-70.5 | 1593.5-94 |
| Kerb close | | 1584-5 |
| Open int. | 256,710 | |
| Total daily turnover | 52,128 | |

■ ALUMINIUM ALLOY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1445-50 | 1470-75 |
| Previous | 1445-55 | 1470-75 |
| High/low | | 1478/1475 |
| AM Official | 1450-55 | 1474-75 |
| Kerb close | | 1473-75 |
| Open int. | 5,211 | |
| Total daily turnover | 2,180 | |

■ LEAD ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 613.5-4.5 | 626-7 |
| Previous | 606.5-7.5 | 620-21 |
| High/low | | 627/625 |
| AM Official | 612.5-3.5 | 625-5.5 |
| Kerb close | | 625-6 |
| Open int. | 34,489 | |
| Total daily turnover | 6,361 | |

■ NICKEL ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 7070-80 | 7180-85 |
| Previous | 7110-20 | 7220-30 |
| High/low | | 7230/7140 |
| AM Official | 7080-81 | 7190-92 |
| Kerb close | | 7150-60 |
| Open int. | 52,047 | |
| Total daily turnover | 11,055 | |

■ TIN ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 5575-85 | 5625-30 |
| Previous | 5510-30 | 5560-80 |
| High/low | | 5630/5580 |
| AM Official | 5570-75 | 5615-20 |
| Kerb close | | 5615-20 |
| Open int. | 14,610 | |
| Total daily turnover | 3,069 | |

■ ZINC, special high grade ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1373.5-4.5 | 1393.5-4.5 |
| Previous | 1345.5-46.5 | 1368-69 |
| High/low | | 1394/1377 |
| AM Official | 1366-67 | 1386.5-87 |
| Kerb close | | 1392-3 |
| Open int. | 91,849 | |
| Total daily turnover | 28,721 | |

■ COPPER, grade A ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 2708-11 | 2593-4 |
| Previous | 2702-03 | 2597-98 |
| High/low | 2714/2712 | 2601/2585 |
| AM Official | 2713-14 | 2596-96 |
| Kerb close | | 2585-6 |
| Open int. | 142,159 | |
| Total daily turnover | 50,332 | |

■ LME AM Official £/$ rate: 1.6419
LME Closing £/$ rate: 1.6476

Spot: 1.6493 3 mths: 1.6446 6 mths: 1.6407 9 mths: 1.6368

■ HIGH GRADE COPPER (COMEX)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jun | 122.00 | +0.45 | 122.30 | 121.90 | 367 | 1,245 |
| Jul | 122.15 | +0.20 | 122.90 | 121.35 | 4,640 | 26,274 |
| Aug | 120.35 | +0.10 | 120.40 | 120.10 | 169 | 2,938 |
| Sep | 119.45 | -0.20 | 120.20 | 119.20 | 3,756 | 13,383 |
| Oct | 116.85 | -0.20 | 117.00 | 117.00 | 56 | 1,210 |
| Nov | 114.75 | -0.30 | 115.10 | 115.10 | 1 | 1,227 |
| Total | | | | | 9,438 | 58,966 |

### PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

| Gold(Troy oz) | $ price | £ equiv | SFr equiv |
|---|---|---|---|
| Close | 339.20-339.70 | | |
| Opening | 338.40-338.70 | | |
| Morning fix | 340.15 | 207.131 | 491.619 |
| Afternoon fix | 340.20 | 206.721 | 491.079 |
| Day's High | 340.55-340.85 | | |
| Day's Low | 338.30-338.60 | | |
| Previous close | 340.60-341.10 | | |

Loco Ldn Mean Gold Lending Rates (Vs US$)

| | | | |
|---|---|---|---|
| 1 month | 4.48 | 6 months | 4.43 |
| 2 months | 4.48 | 12 months | 4.34 |
| 3 months | 4.48 | | |

| Silver Fix | p/troy oz. | US cts equiv. |
|---|---|---|
| Spot | 287.75 | 472.30 |
| 3 months | 291.75 | 478.05 |
| 6 months | 296.00 | 483.80 |
| 1 year | 304.75 | 495.50 |

| Gold Coins | $ price | £ equiv. |
|---|---|---|
| Krugerrand | 340-342 | 206-208 |
| Maple Leaf | - | - |
| New Sovereign | 79-82 | 48-50 |

### Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jun | 340.5 | +1.4 | 341.0 | 338.4 | 21 | 327 |
| Aug | 342.4 | +1.4 | 342.8 | 340.2 | 35,958 | 86,503 |
| Oct | 345.0 | +1.5 | 345.5 | 343.0 | 147 | 7,980 |
| Dec | 347.6 | +1.5 | 347.7 | 345.2 | 751 | 26,352 |
| Feb | 350.1 | +1.5 | 349.2 | 349.0 | 1,151 | 8,762 |
| Apr | 352.5 | +1.5 | - | - | 367 | 4,353 |
| Total | | | | | 38,845 | 174,844 |

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 412.7 | +5.8 | 415.0 | 406.0 | 2,536 | 8,910 |
| Oct | 398.7 | +3.8 | 400.0 | 392.0 | 902 | 7,183 |
| Jan | 391.7 | +1.8 | 392.0 | 390.0 | 87 | 1,629 |
| Apr | 391.7 | +1.8 | 390.0 | 390.0 | 62 | 126 |
| Total | | | | | 3,827 | 17,850 |

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jun | 195.20 | +5.75 | 202.00 | 188.00 | 13 | 127 |
| Sep | 170.20 | - | 175.75 | 166.25 | 1,104 | 6,716 |
| Dec | 162.70 | - | 162.00 | 157.00 | 33 | 624 |
| Jun | 162.70 | - | - | - | - | 95 |
| Total | | | | | 1,150 | 6,562 |

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jun | 473.9 | +5.2 | - | 474.5 | - | 2 |
| Jul | 474.5 | +5.0 | 478.0 | 462.0 | 16,437 | 40,840 |
| Sep | 479.2 | +5.0 | 482.5 | 468.0 | 3,139 | 21,479 |
| Dec | 486.1 | +5.0 | 489.0 | 478.5 | 330 | 8,510 |
| Jan | 488.1 | +5.0 | - | - | - | 17 |
| Mar | 493.0 | +5.1 | 493.5 | 489.5 | 55 | 6,676 |
| Total | | | | | 20,186 | 99,987 |

### ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 18.75 | -0.04 | 19.05 | 18.67 | 33,260 | 31,185 |
| Aug | 19.00 | +0.04 | 19.24 | 18.90 | 44,618 | 95,168 |
| Sep | 19.14 | +0.04 | 19.33 | 19.02 | 13,824 | 38,166 |
| Oct | 19.25 | +0.02 | 19.34 | 19.20 | 4,670 | 26,678 |
| Nov | 19.42 | +0.09 | 19.42 | 19.33 | 4,597 | 18,577 |
| Dec | 19.41 | +0.01 | 19.51 | 19.37 | 8,319 | 39,857 |
| Total | | | | | 117,874 | 403,294 |

■ CRUDE OIL IPE ($/barrel)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Aug | 17.82 | +0.05 | 17.97 | 17.74 | 13,229 | 78,698 |
| Sep | 17.94 | -0.01 | 18.12 | 17.90 | 4,144 | 26,467 |
| Oct | 18.10 | -0.01 | 18.22 | 18.05 | 1,193 | 13,049 |
| Nov | 18.24 | -0.01 | 18.34 | 18.21 | 650 | 9,056 |
| Dec | 18.30 | -0.02 | 18.41 | 18.29 | 1,378 | 12,409 |
| Jan | 18.34 | +0.01 | 18.41 | 18.30 | 272 | 7,012 |
| Total | | | | | n/a | n/a |

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 51.55 | +0.11 | 52.00 | 51.40 | 12,134 | 26,876 |
| Aug | 51.95 | +0.05 | 52.30 | 51.85 | 8,869 | 31,157 |
| Sep | 52.85 | -0.05 | 53.10 | 52.60 | 5,196 | 15,178 |
| Oct | 53.70 | +0.05 | 54.05 | 53.50 | 4,997 | 13,968 |
| Nov | 54.55 | - | 54.90 | 54.50 | 1,722 | 12,178 |
| Dec | 55.30 | -0.05 | 55.70 | 55.30 | 4,409 | 16,939 |
| Total | | | | | 41,699 | 149,984 |

■ GAS OIL IPE ($/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 159.50 | +0.75 | 160.25 | 158.25 | 4,879 | 20,841 |
| Aug | 161.75 | +1.25 | 162.25 | 160.50 | 3,313 | 14,493 |
| Sep | 163.75 | +0.50 | 164.00 | 162.75 | 1,722 | 5,966 |
| Oct | 166.25 | +0.25 | 166.75 | 165.25 | 1,295 | 6,391 |
| Nov | 168.25 | +0.25 | 168.75 | 167.50 | 339 | 3,864 |
| Dec | 170.00 | +0.25 | 170.50 | 169.50 | 821 | 9,044 |
| Total | | | | | 13,371 | 68,581 |

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 2.228 | +0.057 | 2.245 | 2.151 | 12,624 | 26,059 |
| Aug | 2.235 | +0.058 | 2.250 | 2.165 | 4,754 | 30,163 |
| Sep | 2.230 | +0.059 | 2.240 | 2.165 | 1,627 | 18,744 |
| Oct | 2.230 | +0.052 | 2.235 | 2.175 | 641 | 19,994 |
| Nov | 2.350 | +0.042 | 2.360 | 2.305 | 173 | 9,289 |
| Dec | 2.485 | +0.037 | 2.495 | 2.440 | 348 | 12,930 |
| Total | | | | | 22,212 | 198,438 |

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 56.55 | -0.23 | 57.15 | 56.40 | 15,560 | 27,732 |
| Aug | 56.25 | -0.12 | 56.80 | 56.10 | 8,400 | 27,553 |
| Sep | 55.85 | -0.02 | 56.15 | 55.80 | 1,545 | 7,204 |
| Oct | 55.00 | +0.10 | 55.00 | 54.85 | 946 | 5,041 |
| Nov | 54.55 | +0.18 | 54.55 | 54.55 | 55 | 2,158 |
| Dec | 54.30 | +0.25 | 54.30 | 54.25 | 227 | 4,817 |
| Total | | | | | 27,261 | 81,159 |

### GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 79.75 | +0.15 | 79.75 | 78.75 | 118 | 698 |
| Sep | 84.90 | -0.50 | - | - | - | 176 |
| Nov | 87.90 | -0.50 | 88.00 | 87.25 | 285 | 3,807 |
| Jan | 89.90 | -0.50 | 90.00 | 89.25 | 46 | 1,794 |
| Mar | 91.90 | -0.50 | 92.45 | 92.45 | 4 | 923 |
| May | 93.90 | -0.50 | 93.25 | 93.25 | 30 | 483 |
| Total | | | | | 479 | 7,882 |

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 337.00 | -1.75 | 340.00 | 336.00 | 10,327 | 31,848 |
| Sep | 343.00 | -2.25 | 346.00 | 342.50 | 4,165 | 25,975 |
| Dec | 355.50 | -3.00 | 359.00 | 355.25 | 4,685 | 21,557 |
| Mar | 360.25 | -3.75 | 363.00 | 360.00 | 399 | 2,728 |
| May | 355.50 | -1.75 | 357.50 | 355.00 | 26 | 152 |
| Jul | 349.50 | +1.50 | 349.50 | 347.00 | 436 | 1,177 |
| Total | | | | | 20,038 | 83,491 |

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 265.25 | -1.25 | 266.50 | 265.00 | 27,631 | 78,732 |
| Sep | 247.50 | -1.75 | 249.50 | 247.00 | 8,019 | 43,951 |
| Dec | 243.50 | -1.75 | 245.75 | 243.25 | 30,674 | 124,753 |
| Mar | 250.50 | -1.75 | 252.50 | 250.25 | 1,710 | 16,156 |
| May | 255.00 | -1.75 | 256.50 | 255.00 | 31 | 2,011 |
| Jul | 258.25 | -2 | 260.00 | 257.75 | 397 | 3,715 |
| Total | | | | | 70,004 | 273,083 |

■ BARLEY LIFFE (100 tonnes; £ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Sep | 81.25 | - | - | - | - | 34 |
| Nov | 84.25 | - | 84.10 | 84.00 | 42 | 1,141 |
| Jan | 86.25 | - | - | - | - | 164 |
| Mar | 88.25 | - | - | - | - | 14 |
| May | 89.75 | - | - | - | - | 4 |
| Total | | | | | 42 | 1,367 |

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 838.00 | +5.5 | 846.50 | 828.25 | 36,987 | 51,527 |
| Aug | 772.75 | +0.5 | 778.50 | 769.00 | 9,558 | 28,836 |
| Sep | 695.50 | -3 | 702.00 | 694.00 | 2,535 | 10,432 |
| Nov | 662.50 | -6 | 670.50 | 661.00 | 16,353 | 57,029 |
| Jan | 665.00 | -4.75 | 671.00 | 663.50 | 1,283 | 8,434 |
| Mar | 670.00 | -4.25 | 676.50 | 668.00 | 254 | 2,024 |
| Total | | | | | 67,111 | 160,271 |

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 23.04 | -0.03 | 23.22 | 23.02 | 9,476 | 34,280 |
| Aug | 23.18 | -0.06 | 23.40 | 23.18 | 4,678 | 20,473 |
| Sep | 23.38 | -0.04 | 23.58 | 23.37 | 725 | 9,731 |
| Oct | 23.36 | -0.06 | 23.58 | 23.35 | 852 | 12,098 |
| Dec | 23.52 | -0.12 | 23.82 | 23.50 | 5,724 | 23,166 |
| Jan | 23.68 | -0.12 | 23.95 | 23.66 | 55 | 1,649 |
| Total | | | | | 21,680 | 103,171 |

■ SOYABEAN MEAL CBT (100 tons; $/ton)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 273.9 | +2.2 | 275.8 | 270.7 | 12,112 | 32,559 |
| Aug | 250.2 | +0.6 | 252.8 | 249.5 | 5,750 | 19,610 |
| Sep | 230.8 | -1.1 | 233.5 | 230.8 | 1,676 | 12,922 |
| Oct | 219.8 | -1 | 221.8 | 219.2 | 1,474 | 13,491 |
| Dec | 213.4 | -0.7 | 215.4 | 212.8 | 3,548 | 26,894 |
| Jan | 210.5 | -0.5 | 212.0 | 210.1 | 21 | 2,742 |
| Total | | | | | 25,146 | 112,886 |

■ POTATOES LIFFE (20 tonnes; £ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Nov | 30.0 | -3.0 | 35.0 | 30.0 | 7 | 9 |
| Mar | 69.0 | - | - | - | - | - |
| Apr | 73.0 | +1.1 | 74.5 | 70.0 | 43 | 682 |
| May | 92.9 | - | - | - | - | - |
| Jun | 98.9 | - | - | - | - | - |
| Total | | | | | 80 | 691 |

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jun | 1280 | -10 | - | - | - | 411 |
| Jul | 1190 | -10 | 1190 | 1175 | 55 | 1,291 |
| Aug | 1178 | -17 | 1178 | 1178 | 33 | 484 |
| Oct | 1345 | -10 | 1350 | 1345 | 126 | 757 |
| Jan | 1375 | -15 | 1375 | 1375 | 5 | 77 |
| Total | | | | | 219 | 3,028 |

| | Close | Prev |
|---|---|---|
| BFI | 1286 | 1282 |

FUTURES DATA
*All futures data supplied by CMS.*

**Nuts and seeds**
Prices from Kenkko; US$ a tonne. Iranian pistachios 28/30 raw (in shell) naturally opened (round): RPPC prices at 4,400 CFR/FCA, firm with slow sales. Walnuts US jumbo inshell: 2,300 CPT Europe duty paid. Turkish hazelnuts standard No 1: nervous, price idea 4,700 CFR, new crop at 4,250 CFR. Turkish sultanas: 1,300 CFR MEP, firm with few goods. Iranian industrial apricots: 1,800 CFR MEP firm. Indian cashews: raw crop 1997 CFR Europe, W320 at 5,500, W240 at 6,000. US almonds: crop 1996 27/30 SSR at 5,850 CIP Europe; crop 1997 23/25 SSR 4,000 FAS market stable in general with little activity. Coconut: CFR 1,100 from top Philippine mills, stable after decrease. Russian pumpkin seeds: long at 1,650 FOB Italy good demand due to Chinese defaults.

### SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 1115 | +17 | 1120 | 1094 | 1,110 | 18,571 |
| Sep | 1130 | +12 | 1135 | 1111 | 2,592 | 30,540 |
| Dec | 1120 | +6 | 1124 | 1106 | 1,360 | 33,836 |
| Mar | 1130 | +6 | 1134 | 1117 | 764 | 41,672 |
| May | 1140 | +5 | 1140 | 1127 | 455 | 16,728 |
| Jul | 1151 | +5 | 1153 | 1142 | 74 | 5,474 |
| Total | | | | | 7,076 | 167,861 |

■ COCOA CSCE (10 tonnes; $/tonnes)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 1595 | +44 | 1603 | 1550 | 204 | 560 |
| Sep | 1639 | +38 | 1650 | 1604 | 5,421 | 37,294 |
| Dec | 1677 | +38 | 1684 | 1643 | 1,010 | 20,274 |
| Mar | 1713 | +45 | 1713 | 1670 | 228 | 23,492 |
| May | 1733 | +45 | 1698 | 1698 | 40 | 8,769 |
| Jul | 1753 | +45 | 1704 | 1704 | 16 | 627 |
| Total | | | | | 6,954 | 96,253 |

■ COCOA (ICCO) (SDR's/tonne)

| Jun 18 | Price | Prev. day |
|---|---|---|
| Daily | 1250.91 | 1243.41 |

■ COFFEE LIFFE (5 tonnes; $/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 1842 | -8 | 1825 | 1760 | 1,175 | 6,759 |
| Sep | 1860 | -5 | 1860 | 1775 | 2,686 | 23,914 |
| Nov | 1845 | -3 | 1828 | 1755 | 374 | 10,109 |
| Jan | 1815 | - | 1780 | 1755 | 84 | 3,299 |
| Mar | 1785 | -20 | 1755 | 1740 | 22 | 562 |
| May | 1785 | -20 | 1855 | 1794 | - | 53 |
| Total | | | | | 4,341 | 46,696 |

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 195.90 | +5.85 | 198.00 | 182.50 | 3,686 | 2,638 |
| Sep | 179.85 | +4.30 | 181.00 | 169.75 | 6,825 | 10,262 |
| Dec | 160.75 | +4.20 | 162.25 | 152.00 | 805 | 4,704 |
| Mar | 152.60 | +5.05 | 152.70 | 144.50 | 326 | 2,584 |
| May | 149.50 | +5.45 | 145.00 | 144.50 | 120 | 606 |
| Jul | 146.05 | +6.00 | 143.70 | 143.70 | 22 | 131 |
| Total | | | | | 11,822 | 21,123 |

■ COFFEE (ICO) (US cents/pound)

| Jun 18 | | Prev. day |
|---|---|---|
| Comp. daily | 145.69 | 153.45 |
| 15 day average | 168.43 | 173.56 |

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Aug | 323.3 | +0.3 | 323.9 | 322.4 | 424 | 14,808 |
| Oct | 317.9 | +0.4 | 318.2 | 316.9 | 178 | 7,942 |
| Dec | 315.8 | +0.1 | 316.5 | 315.8 | 96 | 3,291 |
| Mar | 315.5 | +0.1 | 316.2 | 314.9 | 171 | 3,242 |
| May | 315.2 | +0.2 | 315.0 | 314.9 | 27 | 882 |
| Aug | 313.1 | -0.1 | 311.8 | 311.0 | 39 | 854 |
| Total | | | | | 895 | 31,601 |

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 11.37 | +0.01 | 11.38 | 11.30 | 9,197 | 49,814 |
| Oct | 11.33 | +0.02 | 11.34 | 11.25 | 8,459 | 86,452 |
| Mar | 11.23 | +0.01 | 11.24 | 11.17 | 1,359 | 33,794 |
| May | 11.13 | +0.02 | 11.14 | 11.08 | 174 | 7,406 |
| Jul | 11.02 | +0.01 | 11.02 | 10.98 | 235 | 3,437 |
| Oct | 10.92 | +0.01 | 10.88 | 10.88 | 202 | 996 |
| Total | | | | | 18,826 | 182,896 |

■ COTTON NYCE (50,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 72.62 | +0.09 | 72.80 | 72.50 | 5,001 | 16,158 |
| Oct | 75.02 | +0.25 | 75.25 | 74.00 | 1,157 | 9,099 |
| Dec | 75.63 | +0.23 | 75.75 | 75.35 | 5,302 | 34,368 |
| Mar | 76.80 | +0.25 | 76.85 | 76.55 | 313 | 5,872 |
| May | 77.35 | +0.23 | - | - | 56 | 1,172 |
| Jul | 77.58 | +0.20 | - | 77.40 | 117 | 860 |
| Total | | | | | 12,686 | 69,975 |

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 78.10 | +0.30 | 77.00 | 75.35 | 1,371 | 15,254 |
| Sep | 78.55 | -0.05 | 79.50 | 78.10 | 1,080 | 12,154 |
| Nov | 81.15 | -0.15 | 82.00 | 81.00 | 134 | 4,800 |
| Jan | 83.80 | - | 84.80 | 83.80 | 94 | 1,965 |
| Mar | 86.60 | +0.05 | 87.50 | 86.65 | 52 | 1,368 |
| May | 89.10 | +0.05 | 89.75 | 89.50 | - | 314 |
| Total | | | | | 2,733 | 35,885 |

**VOLUME DATA**
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

### INDICES

■ Reuters (Base: 18/9/31 = 100)

| Jun 18 | Jun 17 | month ago | year ago |
|---|---|---|---|
| 2012.9 | 2015.7 | 2029.0 | 2041.2 |

■ CRB Futures (Base: 1967 = 100)

| Jun 17 | Jun 16 | month ago | year ago |
|---|---|---|---|
| 244.89 | 244.69 | | |

■ GSCI Spot (Base: 1970 = 100)

| Jun 17 | Jun 16 | month ago | year ago |
|---|---|---|---|
| 186.39 | 186.39 | 201.86 | 202.62 |

LME WAREHOUSE STOCKS (tonnes)

| | | | |
|---|---|---|---|
| Aluminium | -9,875 | to | 691,675 |
| Aluminium alloy | -280 | to | 60,180 |
| Copper | +825 | to | 123,350 |
| Lead | -75 | to | 116,750 |
| Nickel | +1,128 | to | 52,542 |
| Zinc | +25 | to | 425,125 |
| Tin | +100 | to | 11,655 |

### MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

| | Sett Price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jun | 64.975 | -0.125 | 65.300 | 64.900 | 2,432 | 3,178 |
| Aug | 63.725 | -0.35 | 64.350 | 63.700 | 7,833 | 43,198 |
| Oct | 66.625 | -0.35 | 67.200 | 66.575 | 1,904 | 23,511 |
| Dec | 69.450 | -0.3 | 69.875 | 69.400 | 2,060 | 13,100 |
| Feb | 70.400 | -0.3 | 70.850 | 70.400 | 524 | 6,234 |
| Apr | 72.525 | -0.275 | 72.800 | 72.500 | 78 | 2,612 |
| Total | | | | | 15,064 | 92,612 |

■ LEAN HOGS CME (40,000lbs; cents/lbs)

| | Sett Price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 81.925 | -0.325 | 82.600 | 81.850 | 3,921 | 9,636 |
| Aug | 79.425 | -0.025 | 80.300 | 79.300 | 3,062 | 11,317 |
| Oct | 71.475 | +0.05 | 72.200 | 71.350 | 1,904 | 6,884 |
| Dec | 68.350 | +0.075 | 69.000 | 68.100 | 561 | 4,343 |
| Feb | 67.100 | +0.475 | 67.350 | 66.750 | 62 | 1,709 |
| Apr | 62.850 | +0.35 | 63.100 | 62.500 | 17 | 963 |
| Total | | | | | 11,222 | 35,649 |

■ PORK BELLIES CME (40,000lbs; cents/lbs)

| | Sett Price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jul | 81.425 | -0.225 | 83.000 | 80.750 | 2,375 | 3,712 |
| Aug | 81.175 | -0.525 | 83.225 | 80.750 | 1,099 | 2,826 |
| Feb | 72.025 | -0.875 | 72.700 | 71.000 | 80 | 487 |
| Mar | 70.600 | -0.5 | 72.450 | 71.900 | 0 | 17 |
| Total | | | | | 3,566 | 7,050 |

### LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

| ■ ALUMINIUM (99.7%) LME | Jul | Oct | Jul | Oct |
|---|---|---|---|---|
| 1550 | 31 | 75 | 11 | 35 |
| 1575 | 17 | 61 | 22 | 46 |
| 1600 | 8 | 49 | 38 | 56 |
| **■ COPPER (Grade A) LME** | **Jul** | **Oct** | **Jul** | **Oct** |
| 2500 | 187 | 114 | 3 | 79 |
| 2600 | 100 | 69 | 15 | 130 |
| 2700 | 39 | 39 | 53 | 197 |
| **■ COFFEE LIFFE** | **Jul** | **Sep** | **Jul** | **Sep** |
| n/a | | | | |
| n/a | | | | |
| n/a | | | | |
| **■ COCOA LIFFE** | **Jul** | **Sep** | **Jul** | **Sep** |
| n/a | | | | |
| n/a | | | | |
| n/a | | | | |
| **■ BRENT CRUDE IPE** | **Jul** | **Aug** | **Jul** | **Aug** |
| 1750 | - | - | - | - |
| 1800 | 45 | 75 | - | 65 |
| 1850 | - | 62 | - | - |

### LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

| | | +or- |
|---|---|---|
| Dubai | $16.79-6.85 | +0.035 |
| Brent Blend (dated) | $17.32-7.34 | +0.18 |
| Brent Blend (Aug) | $17.77-7.79 | +0.01 |
| W.T.I. | $18.95-8.97w | -0.04 |

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

| | | |
|---|---|---|
| Premium Gasoline | $198-200 | |
| Gas Oil | $159-160 | |
| Heavy Fuel Oil | $80-82 | |
| Naphtha | $181-183 | |
| Jet fuel | $173-174 | |
| Diesel | $164-165 | |

■ NATURAL GAS (Pence/therm)

| | | |
|---|---|---|
| Bacton (Jul) | 9.85-9.95 | |

Petroleum Argus. Tel. London (0171) 359 8792

| | | |
|---|---|---|
| IPE (Jul) | 9.800 | -0.010 |

■ OTHER

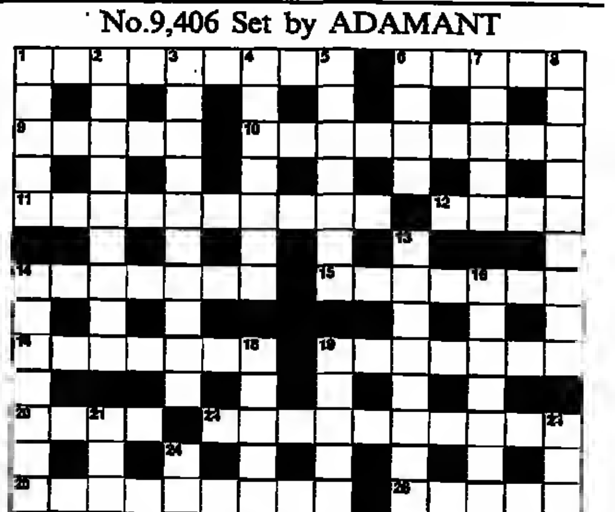
| | | |
|---|---|---|
| Gold (per troy oz)♣ | $339.45 | -1.40 |
| Silver (per troy oz)♣ | 476.00c | +2.00 |
| Platinum (per troy oz.) | $416.00 | +9.00 |
| Palladium (per troy oz.) | $203.00 | +13.0 |
| Copper | 127.0c | |
| Lead (US prod.) | 45.00c | |
| Tin (Kuala Lumpur) | 14.08r | |
| Tin (New York) | 261.5 | +1.0 |
| Cattle (live weight) | 92.68p | +2.51* |
| Sheep (live weight) | 116.80p | +7.20* |
| Pigs (live weight)† | 96.67p | -3.86* |
| Lon. day sugar (raw) | $279.60 | +1.30 |
| Lon. day sugar (wte) | $329.00 | +0.80 |
| Barley (Eng. feed) | Unq | |
| Maize (US No3 Yellow) | £109.00 | |
| Wheat (US Dark North) | Unq | |
| Rubber (Jul)♥ | 71.00p | |
| Rubber (Aug)♥ | 71.00p | |
| Rubber (KL RSS No1) | 278.0x | -2.5 |
| Coconut Oil (Phil)§ | 650.0y | |
| Palm Oil (Malay.)§ | 530.0w | |
| Copra (Phil)§ | $415.0y | |
| Soyabeans (US) | 210.0 | -2 |
| Cotton Outlook'A' Index | 81.05c | |
| Wooltops (64s Super) | 448p | +10 |

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Aug. w Jul. London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,497 head of pigs sold.

JOTTER PAD

## CROSSWORD

No.9,406 Set by ADAMANT



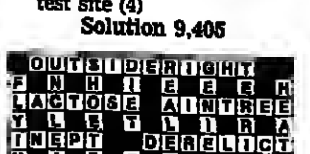
**ACROSS**

1 One taking place (9)
6 Pontius lost one dish (5)
9 Five bundred sheets of paper is ideal (5)
10 Not old enough to appreciate popular version in E flat (9)
11 Feigned sickness to have a loiter in the sea (10)
12 Get the better of the elite (4)
14 Alas, none we hear turn out yearly accounts (7)
15 Quickly, everyone! run into Number One! (7)
17 Actors take on tha French corner pieces (7)
19 They attack South Africans about the doctor (7)
20 Posh people lacking education to some degree (4)
22 The natural wisdom of animals seen off (5,5)
25 Made changes that the hotel acclaimed (9)
26 Cross at one speed (5)
27 Make hostile sound – to get bigger line? (5)
28 Draughtsmen with disturbing greediness out east (9)

**DOWN**

1 Either way she is cross in the early hours (5)
2 Dayspring in grammar school buildings (9)
3 Pitifully bad line – the last word on furniture (10)
4 Here in France, the beadland is freezing cold (7)
5 Uncertain fate follnwing rise of fat in material (7)
6 A measure of good books (4)
7 Athletic soldier in the drink (5)
8 Occasions where ooe stands before being able to sit (9)
13 Making a mark, moving to mingla with bishop off work (10)
14 Stressing that it could be grave (9)
16 Fruit presents an ecologically acceptable challenge (9)
18 Concentrated on society being tarnished (7)
19 In addition to live teams (7)
21 It needs pluck to play with little woman after prohibition (5)
23 Smooths the odds (5)
24 Nothing on girl being at test site (4)

Solution 9,405



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## OFFSHORE AND OVERSEAS

### BERMUDA (SIB RECOGNISED)

| Fund | Init Charge | Selling Price | Buying Price | + or - | Yield Gr's |
|---|---|---|---|---|---|

**Fidelity Currency Funds Ltd**

### BERMUDA (REGULATED)(**)

### GUERNSEY (SIB RECOGNISED)

### GUERNSEY (REGULATED)(**)

### IRELAND (SIB RECOGNISED)

### IRELAND (REGULATED)(**)

### ISLE OF MAN (SIB RECOGNISED)

### ISLE OF MAN (REGULATED)(**)

### JERSEY (SIB RECOGNISED)

### JERSEY (REGULATED)(**)

### LUXEMBOURG (SIB RECOGNISED)

Offshore Funds and Insurances

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## LUXEMBOURG (REGULATED)(**)

## OFFSHORE INSURANCES

هكذا من الأصل

# FT MANAGED FUNDS SERVICE

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## OTHER OFFSHORE FUNDS



## ● MANAGED FUNDS NOTES

# LONDON SHARE SERVICE

## ALCOHOLIC BEVERAGES

## BANKS, RETAIL

## BREWERIES, PUBS & REST

## BUILDING & CONSTRUCTION

## BUILDING MATS. & MERCHANTS

## CHEMICALS

## CHEMICALS - Cont.

## DISTRIBUTORS

## DIVERSIFIED INDUSTRIALS

## ELECTRICITY

## ELECTRONIC & ELECTRICAL EQPT

## ENGINEERING

## ENGINEERING - Cont.

## ENGINEERING, VEHICLES

## EXTRACTIVE INDUSTRIES

## EXTRACTIVE INDUSTRIES - Cont.

## FOOD PRODUCERS

## GAS DISTRIBUTION

## HEALTH CARE

## HEALTH CARE - Cont.

## HOUSEHOLD GOODS

## INSURANCE

## INSURANCE - Cont.

## INVESTMENT TRUSTS

## INVESTMENT TRUSTS - Cont.

## INV TRUSTS SPLIT CAPITAL

# LONDON SHARE SERVICE

## INV TRUSTS SPLIT CAPITAL - Cont.

## OTHER INVESTMENT TRUSTS

## INVESTMENT COMPANIES

## LEISURE & HOTELS

## LIFE ASSURANCE

## MEDIA

## MEDIA - Cont.

## OIL EXPLORATION & PRODUCTION

## OIL, INTEGRATED

## OTHER FINANCIAL

## PAPER, PACKAGING & PRINTING

## PHARMACEUTICALS

## PHARMACEUTICALS - Cont.

## PROPERTY



## PROPERTY - Cont.

## RETAILERS, FOOD

## RETAILERS, GENERAL

## RETAILERS, GENERAL - Cont.

## SUPPORT SERVICES

## SUPPORT SERVICES - Cont.

## TELECOMMUNICATIONS

## TEXTILES & APPAREL

## TEXTILES & APPAREL - Cont.

## TOBACCO

## TRANSPORT

## WATER

## AIM

## AIM - Cont.

## AMERICANS

## CANADIANS

## SOUTH AFRICANS

| | Notes | Price | + or - | 52 week high | 52 week low | Mkt CapCm | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Anglo Am Ind R | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Barlow | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Gold Flds Prop R | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| SA Brews | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Standard Bank | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Tiger Oats | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Tongaat-Hulett | | 747½ | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | ♦ |

## GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(4)(V) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Wide incorporated non-listed companies
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ‡ Merger bid or reorganisation in progress
- ‡ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
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# LONDON STOCK EXCHANGE

# Shares slide halted by raid on drinks group

MARKET REPORT

By Steve Thompson,
UK Stock Market Editor

What looked to be a continuation of the dismal run of performances by London's equity market was transformed just before the end of the session by a sudden raid on Grand Metropolitan shares by LVMH, the French luxury goods group.

Bidding 630p a share for Grand Met stock, LVMH announced it had bought over 100m shares, or 4.,7 per cent of Grand Met's shares, taking its stake up to 5.25 per cent. LVMH also owns a stake in Guinness, which is trying to merge with GrandMet.

The move by the French company was not seen as a predatory move against Grand Met, simply an attempt to win a seat at the tabls at which the advantages from such a merger will be shared out.

"Whatever the ins and outs of the deal, it certainly gave a boost to sentiment in what had been a desperately depressed day in the market," said the head trader at one UK securities house.

Earlier London's eqnity market had performed as badly as the weather at Lord's and Royal Ascot, where many of the market's leading lights were headed.

Part of the problem was further evidence of a domestic economy running at a rapid pace. But London was equally unhappy with Wall Street's performance on Wednesday, where the Dow Jones Industrial Average gave up 41 points.

In the background there was also the continuing spectre of the new government's maiden budget, scheduled for July 2, which is now expected to include the abolition of the 20 per cent tax credit on dividends.

The worry in the City is that the budget could also include other doses of unpalatable medicine for the market, possibly regarding stamp duty.

One helpful factor for equities yesterday was the good showing of gilts which managed to hold on to early gains prompted by a good performance by US Treasury bonds overnight.

As the market absorbed the implications of the LVMH move, the FTSE 100 index rallied strongly. It finished the session 3.3 off at 4,653.7.

The FTSE 250 lacked the boost given to the leaders and remained under pressure, finishing the day 23.3 lower at 4,492.9. The SmallCap index, similarly, was never anything but weak, and closed 5.3 down at 2,265.2.

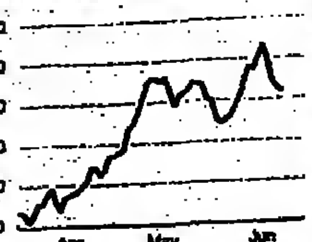
Earlier, the index had made a good start to the day, improving 11.9 points as marketmakers, hit badly by big losses at the start of the week, tried to lift sentiment.

But news of higher-than-expected M4 money supply for May, following the surprisingly strong retail sales figures announced on Wednesday, quickly brought a halt to the market's early gains.

Economists expressed concern at the pace of the growth in money supply and the recent news on high street sales, which was seen as linked to the building society windfalls. Some are now forecasting a 50 basis points increase in UK interest rates when the Monetary Policy Committee meets next on July 10.

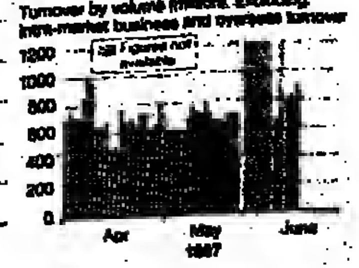
Turnover at 6pm, boosted by LVMH's raid, was 1.08bn shares.

### FTSE All-Share Index




### Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover




### Indices and ratios

| | | | | | |
|---|---|---|---|---|---|
| FTSE 100 | 4653.7 | −3.3 | FT 30 | 3015.10 | +1.1 |
| FTSE 250 | 4492.9 | −23.3 | FTSE Non-Fins p/e | 18.88 | 18.93 |
| FTSE 350 | 2253.2 | −3.5 | FTSE100 Fut Jun | 4654.0 | −2.0 |
| FTSE All-Share | 2210.20 | −3.58 | 10 yr Gilt yield | 7.22 | 7.18 |
| FTSE All-Share yield | 3.52 | 3.52 | Long gilt/equity yld ratio | 2.06 | 2.04 |

**Best performing sectors**

1 Alcoholic Beverages ..... +2.7
2 Tobacco ..... +2.2
3 Banks: Retail ..... +0.9
4 Oil Exploration & Prod ..... +0.6
5 Chemicals ..... +0.6

**Worst performing sectors**

1 Extractive Inds ..... −1.8
2 Transport ..... −1.4
3 Electronic & Elec ..... −1.4
4 Life Assurance ..... −1.3
5 Oil: Integrated ..... −1.1

# LVMH buys into GMet

By Joel Kibazo, Martin Brice and Peter John

A tea-time raid in drinks and foods giant **Grand Metropolitan** enlivened an otherwise dull market and sent the company's shares sharply ahead.

In what one broker termed "a nice piece of late afternoon broking" BZW, acting for French group Louis Vuitton Most Hennessey (LVMH), swept into the market to acquire a large holding in the UK company.

With the broker offering 630p a share, well above the then trading price in GrandMet, BZW found little difficulty in acquiring the required stock and by the end of the shopping spree had bought more than 100m shares. Dealers said the price paid by BZW represented the "fair value" price of a merged GrandMet and Guinness.

GrandMet surged ahead and closed 17½ higher at 603¼p, while Guinness – in which LVMH already has a 14.2 per cent stake – rose 15 to 605p. Turnover in GrandMet was a hefty 255m, making it by far the stock's busiest ever trading session.

The holding represents 4.73 per cent of GrandMet's equity and raises LVMH's holding in GrandMet to about 5.25 per cent following initial buying earlier this week.

Press reports in France early yesterday said Mr Bernard Arnault, LVMH's chairman, might seek to increase his holding in GrandMet to 10 or 15 per cent. Mr Arnault has indicated his displeasure at the terms of the proposed merger between GrandMet and Guinness.

Mr Nigel Pareon at Charterhouse Tilney echoed the feelings of many specialists in the market when he said: "Mr Arnault does not want the Guinness/GrandMet deal to collapse. He simply wants a place at the table and this move raises the pressure on the other two groups to accommodate him."

## Transports slowed

Transport stocks were thrown into reverse as investors digested comments by the rail regulator, Mr John Swift, that he wanted to see more money invested in customer information and ticket selling. Traders said his comments came as analysts were suggesting that the bus operating market was reaching maturity.

The most heavily marked down among companies with rail franchises was National Express, which lost 15¼ to 468½p. Stagecoach fell 17½ to 660p while FirstBus fell 7 to 202p. However, Cowie – which has no rail franchises – saw keen investor interest, with a couple of large deals going through at about 381p. The shares rose 5 to 379½p.

Brokers are starting to suggest that growth in bus companies with rail franchises may be difficult to achieve. NatWest Securities recently shifted its stance on FirstBus from "add" to "hold", citing doubts over the speed of overseas expansion, competitive threats in Scotland and continned uncertainty over regulation.

Elsewhere in the sector, **Railtrack** fell 1½ to 620p, while **P&O**, which is awaiting clearance of its merger with Stena, fell 2 to 613p.

## Halifax buoyant

Halifax perked up in late dealing as the announcement of the last tender of public shares reminded institutions that demand could begin to exceed supply shortly.

Merrill Lynch and Cazenove announced the auction of 5.2m shares to be held after the London market closed.

Subsequently, shares will be released in dribs and drabs and the leading institutional investors, which are seriously under-weight in the stock, may find it increasingly difficult to adjust their positions.

Also, the bank is seeing some brokers this morning and there was anticipation of a couple of recommendations. The shares rose 10¼ to 745p.

The other recent flotation – Norwich Union – was also well supported with the shares adding at 6 at 324¼p although supply may loosen shortly. Individual shareholders are expected to receive their certificates on Monday.

Elsewhere in the insurance sector, Commercial Union fell 11¼ to 672½p but several brokers expect a recovery when news filters out from an analysts' trip to Poland. Sector specialists arrived last night and will listen to a series of presentations today.

Lloyds TSB gained 14¼ to 620p on reports that SBC Warburg has moved its stance on the stock to a "buy" from a "hold".

Warburg and ABN Amro Hoare Govett were said to have upgraded current year forecasts for Lloyds, with Merrill Lynch also understood to be upgrading.

Warburg is understood to have raised its 1997 forecast for Lloyds to £3.1bn from £2.9bn with the 1998 estimate upped to £3.6bn from £3.4bn. Hoare Govett has raised its 1997 estimate to £3.2bn from £3.1bn and reiterated its "undervalued" stance.

HSBC improved 18 to £18.49¼ reflecting a strong performance by ths Hang Seng index, of which HSBC is the leading constituent.

Exploration and production group Lasmo rose 6 to 275p in response to presentations by the company.

BAT Industries climbed 14 to 582p amid growing speculation that the US tobacco industry looked set to conclude a landmark deal to resolve tobacco-related lawsuits. Analysts estimate the industry could face claims totalling $300bn from smokers and state governments claiming healthcare costs. But they could provide "substantial clarification of the issue", according to Mr Tim Young of SGST, which is a keen supporter of the stock and reiterated its buy stance. Some analysts were suggesting the shares could easily break back through 600p if a deal is concluded.

ICI bounced 26 to 859¼p following selected profit-taking earlier in the week.

Pearson, the media conglomerate which owns the Financial Times, lifted 9½ to 707½p as Credit Lyonnais Laing reiterated its "buy" recommendation.

A tale that Bass's chief executive Mr Ian Napier is to join Rank went the rounds. But the latter's 3¼ rise to 374½p was put down to a bounce from recent lows. Bass was off 7¼ at 752p.

BAe were up 5 to £13.70 on news that the company had joined Lockheed Martin, in a programme to develop fighter aircraft – a move that raises the prospect of a merger between the two.

GEC, bnoyed in recent weeks by on-off merger talks involving BAe, saw brisk trade of 6.8m and gave up 8 to 344p. A downgrade, said to be from house broker BZW, sent RJB Mining down 15½ to 346p.

### FT 30 INDEX

| | Jun 19 | Jun 18 | Jun 17 | Jun 16 | Jun 13 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| FT 30 | 3015.1 | 3014.0 | 3024.4 | 3054.3 | 3077.4 | 2749.4 | 3077.4 | 2868.8 |
| Ord. div. yield | 3.65 | 3.65 | 3.63 | 3.60 | 3.56 | 4.03 | 4.22 | 3.56 |
| P/E ratio net | 18.20 | 18.19 | 18.27 | 18.44 | 18.64 | 16.38 | 18.64 | 15.80 |
| P/E ratio nil | 18.02 | 18.01 | 18.08 | 18.25 | 18.45 | 16.13 | 18.45 | 15.71 |

FT 30 since compilation: high 3077.4 13/06/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

| Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 3016.9 | 2999.7 | 3000.8 | 2999.8 | 2993.3 | 2995.5 | 3001.7 | 3009.8 | 3014.4 | 3019.4 | 2992.4 |

| | Jun 19 | Jun 18 | Jun 17 | Jun 16 | Jun 13 | Yr ago |
|---|---|---|---|---|---|---|
| SEAQ bargains | 44,837 | 45,854 | 52,519 | 62,314 | 51,900 | 30,612 |
| Equity turnover (£m)† | - | NA | 3482.5 | 3264.9 | 3044.1 | 1867.8 |
| Equity bargains† | - | NA | 49,778 | 53,805 | 48,132 | 35,507 |
| Shares traded (mil)† | - | NA | 807.3 | 899.9 | 787.6 | 739.4 |

†Excluding intra-market and overseas turnover but including Crest turnover.

 *For 1997.

■ London market data

| Rises and falls* | | 52 Week highs and lows | | LIFFE Equity options | |
|---|---|---|---|---|---|
| Total Rises | 404 | Total Highs | 49 | Total contracts | 60,488 |
| Total Falls | 1,082 | Total Lows | 106 | Calls | 37,787 |
| Same | 1,584 | | | Puts | 22,701 |

Jun 19 *Data based on Equity shares listed on the London Share Service.

## FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 4670.0 | 4653.0 | +1.0 | 4671.0 | 4615.0 | 20947 | 29323 |
| Sep | 4703.0 | 4680.0 | -6.0 | 4703.0 | 4640.0 | 16261 | 58484 |
| Dec | 4725.0 | 4743.0 | +2.0 | 4725.0 | 4725.0 | 1 | 2239 |

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 4518.0 | 4496.0 | -22.0 | 4518.0 | 4518.0 | 1492 | 3486 |
| Sep | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

■ FTSE 100 INDEX OPTION (LIFFE) (*4653) £10 per full index point

[illegible]

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

† Long dated expiry months.

## LONDON RECENT ISSUES: EQUITIES

| Issue price p | Amt paid up | Mkt. cap (£m.) | 1997 High | Low | Stock | Close price p | +/- | Net div. | Div. cov. | Grs yld | P/E net |
|---|---|---|---|---|---|---|---|---|---|---|---|
| § | F.P. | 91.3 | 1200 | 782½ | Aston Villa | [illegible] | | | | | |
| | F.P. | - | 102 | 42½ | Caradon 8 | [illegible] | | | | | |
| • | F.P. | 2,060 | 312½ | 270½ | Gallaher | [illegible] | | | | | |
| • | F.P. | 18,700 | 778 | 714 | Halifax | [illegible] | | | | | |
| §140 | F.P. | 11.3 | 147½ | 98½ | Heart of Midlothian | [illegible] | | | | | |
| §120 | F.P. | 10.5 | 127½ | 127½ | †Highland Timber | [illegible] | | | | | |
| 100 | F.P. | 3.75 | 125 | 102½ | †Integrated As Mg | [illegible] | | | | | |
| § | F.P. | - | 99 | 99 | Intl Biotech C | [illegible] | | | | | |
| § | F.P. | 3.69 | 118½ | 112½ | Longbridge Intl | [illegible] | | | | | |
| 290 | F.P. | 6,258 | 357½ | 316½ | Norwich Union | [illegible] | | | | | |
| §165 | F.P. | 118.7 | 187½ | 195½ | Powderject Pharm | [illegible] | | | | | |
| § | F.P. | 99.4 | 227 | 209½ | Royalblue Grp | [illegible] | | | | | |
| [illegible] | | | | | | | | | | | |

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

## RIGHTS OFFERS

| Issue price p | Amount paid up | Latest Renun. date | 1997 High | Low | Stock | Closing price p | +or- |
|---|---|---|---|---|---|---|---|
| 155 | Nil | 9/7 | 15½pm | 2pm | Cedar [illegible] | 2pm | -2½ |
| 205 | Nil | 20/6 | 19pm | 14½pm | Pillar Props | 15pm | |

pm premium.

## FTSE GOLD MINES INDEX

| | Jun 19 | % chg on day | Jun 17 | Year ago | Gross div yield % | P/E ratio | 52 week High | Low |
|---|---|---|---|---|---|---|---|---|
| Gold Mines Index (31) | 1469.92 | −1.5 | 1512.88 | 2082.78 | 2.28 | - | 2138.03 | 1469.80 |
| ■ Regional Indices | | | | | | | | |
| Africa (14) | 1624.10 | −0.3 | 1629.57 | 2727.81 | 5.43 | 25.99 | 2917.88 | 1624.10 |
| Australasia (6) | 1694.29 | +0.9 | 1693.95 | 2443.47 | 3.04 | 19.17 | 2491.89 | 1693.98 |
| North America (11) | 1433.19 | −2.3 | 1466.58 | 1850.69 | 1.01 | 58.04 | 1884.08 | 1335.84 |

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

## FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

| | Jun 19 | Day's chge% | Jun 18 | Jun 17 | Jun 16 | Year ago | Div. yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FTSE 100 | 4653.7 | −0.1 | 4657.0 | 4682.2 | 4745.1 | 3727.5 | 3.53 | 2.03 | 17.43 | 90.01 | 1986.99 |
| FTSE 250 | 4492.9 | −0.5 | 4516.2 | 4538.0 | 4557.1 | 4449.8 | 3.64 | 1.59 | 21.58 | 89.04 | 1878.02 |
| FTSE 250 ex IT | 4501.1 | −0.6 | 4526.1 | 4546.8 | 4564.7 | 4493.2 | 3.78 | 1.82 | 20.35 | 92.04 | 1886.97 |
| FTSE 350 | 2253.2 | −0.2 | 2256.7 | 2268.7 | 2295.1 | 1886.6 | 3.55 | 1.94 | 18.10 | 43.77 | 1965.11 |
| FTSE 350 ex IT | 2252.7 | −0.2 | 2256.3 | 2268.1 | 2294.7 | - | 3.58 | 1.95 | 17.85 | 11.37 | 1007.37 |
| FTSE 350 Higher Yield | 2189.2 | +0.1 | 2197.1 | 2195.2 | 2220.9 | 1808.9 | 4.58 | 1.82 | 15.05 | 51.72 | 1818.06 |
| FTSE 350 Lower Yield | 2322.9 | −0.4 | 2332.5 | 2348.8 | 2376.0 | 1971.4 | 2.51 | 2.18 | 22.85 | 35.18 | 1657.52 |
| FTSE SmallCap | 2265.17 | −0.2 | 2270.52 | 2279.62 | 2283.81 | 2235.83 | 3.13 | 1.73 | 23.01 | 35.64 | 1922.19 |
| FTSE SmallCap ex IT | 2246.29 | −0.3 | 2252.55 | 2261.18 | 2263.36 | 2237.06 | 3.38 | 1.82 | 20.37 | 38.17 | 1922.01 |
| FTSE All-Share | 2210.20 | −0.2 | 2213.78 | 2225.32 | 2249.67 | 1873.67 | 3.52 | 1.85 | 18.36 | 42.34 | 1956.15 |
| FTSE All-Share ex IT | 2209.18 | −0.2 | 2212.64 | 2224.21 | 2248.88 | - | 3.57 | 1.85 | 17.99 | 11.05 | 1005.49 |

■ FTSE Actuaries Industry Sectors

| | Jun 19 | Day's chge% | Jun 18 | Jun 17 | Jun 16 | Year ago | Div. yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 MINERAL EXTRACTION(20) | 4427.85 | −1.0 | 4474.39 | 4505.89 | 4590.93 | 3470.31 | 3.45 | 2.01 | 18.02 | 88.75 | 1983.58 |
| 12 Extractive Industries(5) | 4431.97 | −1.8 | 4511.11 | 4595.09 | 4609.25 | 4401.48 | 3.55 | 2.38 | 14.77 | 104.80 | 1354.71 |
| 15 Oil, Integrated(3) | 4567.16 | −1.1 | 4618.15 | 4647.80 | 4749.55 | 3499.16 | 3.65 | 1.95 | 17.58 | 94.47 | 2103.91 |
| 16 Oil Exploration & Prod(12) | 3723.83 | +0.6 | 3700.22 | 3694.60 | 3747.19 | 2495.81 | 1.56 | 2.21 | 36.36 | 37.61 | 2261.24 |
| 20 GEN INDUSTRIALS(267) | 1953.68 | −0.2 | 1957.37 | 1960.98 | 1972.17 | 2059.38 | 4.09 | 1.87 | 16.33 | 37.48 | 1113.88 |
| 21 Building & Construction(35) | 1396.57 | −0.6 | 1404.76 | 1402.90 | 1416.46 | 1212.03 | 8.15 | 1.86 | 21.26 | 25.16 | 1214.87 |
| 22 Building Matls & Merchs(30) | 1891.91 | −0.2 | 1895.65 | 1907.98 | 1932.68 | 1913.20 | 4.25 | 2.78 | 10.59 | 40.70 | 999.30 |
| 23 Chemicals(26) | 2478.20 | +0.6 | 2460.62 | 2455.34 | 2486.82 | 2458.50 | 4.27 | 1.48 | 19.82 | 62.18 | 1294.39 |
| 24 Diversified Industrials(16) | 1318.62 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 25 Electronic & Elect Equip(35) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 26 Engineering(69) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 27 Engineering, Vehicles(13) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 28 Paper, Pckg & Printing(27) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 29 Textiles & Apparel(14) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 30 CONSUMER GOODS(84) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 32 Alcoholic Beverages(7) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 33 Food Producers(23) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 34 Household Goods(17) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 36 Health Care(18) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 37 Pharmaceuticals(18) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 38 Tobacco(2) | 4800.00 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 40 SERVICES(271) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 41 Distributors(30) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 42 Leisure & Hotels(31) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 43 Media(44) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 44 Retailers, Food(15) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 45 Retailers, General(53) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 47 Breweries, Pubs & Rest.(22) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 48 Support Services(54) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 49 Transport(22) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 60 UTILITIES(31) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 62 Electricity(9) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 64 Gas Distribution(2) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 66 Telecommunications(8) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 68 Water(12) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 69 NON-FINANCIALS(673) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 70 FINANCIALS(105) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 71 Banks, Retail(8) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 73 Insurance(18) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 74 Life Assurance(7) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 77 Other Financial(25) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 79 Property(44) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 80 INVESTMENT TRUSTS(127) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 89 FTSE All-Share(900) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 105 FTSE All-Share ex IT(773) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE Fledgling | 1279.24 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE Fledgling ex IT | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE AIM | 1059.3 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

■ Hourly movements

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FTSE 100 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE 250 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE 350 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE SmallCap | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FTSE All-Share | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

[illegible]

Further information is available on http://www.ftse.com



† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. Issuer: Farringford (FTSE Fledgling).

FTSE INTERNATIONAL

## TRADING VOLUME

■ Major Stocks Yesterday

| | Vol. 000s | Closing price | Day's change |
|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] |

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. All trades are included. Source: Estel, part of FT Information.



هكذا من الأصل

Highs & Lows shown on a 52 week basis

# WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jun 19 / Sch)

BELGIUM/LUXEMBOURG (Jun 19 / Frs.)

CZECH REP (Jun 19 / Korune)

DENMARK (Jun 19 / Kr)

FINLAND (Jun 19 / Mka)

FRANCE (Jun 19 / Frs.)

GERMANY (Jun 19 / Dm.)

GREECE (Jun 19 / Drachma)

ITALY (Jun 19 / Lire)

NETHERLANDS (Jun 19 / Fls.)

NORWAY (Jun 19 / Kroner)

POLAND (Jun 19 / Zloty)

PORTUGAL (Jun 19 / Escudo)

SPAIN (Jun 19 / Pta.)

SWEDEN (Jun 19 / Kronor)

SWITZERLAND (Jun 19 / Frs.)

TURKEY (Jun 19 / Tk Lira)

PACIFIC

JAPAN (Jun 19 / Yen)

AUSTRALIA (Jun 19 / Aus$)

HONG KONG (Jun 19 / H.K.$)

INDONESIA (Jun 19 / Rupiah)

MALAYSIA (Jun 19 / MYR)

NEW ZEALAND (Jun 19 / NZ $)

SINGAPORE (Jun 19 / S$)

SOUTH KOREA (Jun 19 / Won)

TAIWAN (Jun 19 / TW $)

THAILAND (Jun 19 / Baht)

AFRICA

SOUTH AFRICA (Jun 19 / Rand)

NORTH AMERICA

CANADA

TORONTO (Jun 19 / Can $) 4 pm close

MONTREAL (Jun 19 / Can $) 4 pm close



## INDICES

| | Jun 19 | Jun 18 | Jun 17 | 1997 High | | 1997 Low | |
|---|---|---|---|---|---|---|---|
| **Argentina** | | | | | | | |
| General(29/12/77) | (u) | 23036.93 | 22835.54 | 23092.80 | 12/6 | 18237.37 | 2/1 |
| **Australia** | | | | | | | |
| All Ordinaries(1/1/80) | 2593.3 | 2579.4 | 2581.2 | 2609.30 | 19/6 | 2332.28 | 1/4 |
| All Mining(1/1/80) | 944.1 | 946.3 | 950.3 | 987.10 | 24/2 | 878.40 | 16/4 |
| **Austria** | | | | | | | |
| Credit Aktien(30/12/84) | 411.01 | 409.62 | 410.49 | 431.07 | 5/6 | 374.40 | 9/1 |
| Traded Index(2/1/91) | 1289.96 | 1287.47 | 1303.39 | 1310.79 | 27/5 | 1130.22 | 9/1 |
| **Belgium** | | | | | | | |
| BEL20(1/1/91) | 2345.80 | 2347.55 | 2360.03 | 2400.36 | 13/6 | 1871.05 | 2/1 |
| **Brazil** | | | | | | | |
| Bovespa(29/12/83) | (u) | 12206.0 | 12119.0 | 12206.69 | 18/6 | 6865.50 | 2/1 |
| **Canada** | | | | | | | |
| Metals Minls‡(1975) | (c) | 5404.95 | 5461.08 | 5901.25 | 10/3 | 4946.96 | 11/4 |
| Composite‡(1975) | (c) | 6486.10 | 6532.30 | 6550.80 | 18/6 | 5570.30 | 14/4 |
| Portfolio§§(4/1/83) | (c) | 3293.08 | 3313.61 | 3339.95 | 13/6 | 2846.02 | 11/4 |
| **Chile** | | | | | | | |
| IGPA Gen♥(31/12/80) | (c) | 5731.50 | 5780.05 | 5945.70 | 13/6 | 4912.42 | 2/1 |
| **Denmark** | | | | | | | |
| CopenhagenSE(3/1/83) | 589.73 | 588.80 | 588.34 | 589.73 | 19/6 | 470.14 | 2/1 |
| **Finland** | | | | | | | |
| HEX General(28/12/90) | 3126.39 | 3113.27 | 3111.43 | 3149.91 | 13/6 | 2482.28 | 2/1 |
| **France** | | | | | | | |
| SBF 250(31/12/90) | 1801.19 | 1806.17 | 1811.76 | 1838.29 | 16/5 | 1533.19 | 2/1 |
| CAC 40(31/12/87) | 2739.69 | 2751.74† | 2782.80 | 2868.92 | 13/6 | 2288.97 | 2/1 |
| **Germany** | | | | | | | |
| FAZ Aktien(31/12/58) | 1276.55 | 1271.10 | 1277.38 | 1284.02 | 16/6 | 986.21 | 2/1 |
| Commerzbank(1/12/53) | 3755.90 | 3733.30 | 3752.10 | 3779.90 | 16/6 | 2875.80 | 2/1 |
| DAX‡(30/12/87) | 3749.27 | 3730.27 | 3741.48 | 3785.11 | 16/6 | 2848.77 | 2/1 |
| **Greece** | | | | | | | |
| Athens SE(31/12/80) | 1543.25 | 1541.46 | 1577.95 | 1727.70 | 23/5 | 954.54 | 2/1 |
| **Hong Kong** | | | | | | | |
| Hang Seng(31/7/64) | 14506.49 | 14203.89 | 14307.15 | 14598.90 | 3/6 | 12055.17 | 3/4 |
| **India** | | | | | | | |
| BSE Sens.(1979) | 4088.98 | 4082.50 | 4087.54 | 4098.98 | 19/6 | 3225.24 | 2/1 |
| **Indonesia** | | | | | | | |
| Jakarta Comp.(10/8/82) | 708.44 | 710.76 | 705.08 | 712.69 | 26/2 | 631.27 | 15/4 |
| **Ireland** | | | | | | | |
| ISEQ Overall(4/1/88) | 3328.89 | 3332.35 | 3351.62 | 3398.48 | 13/6 | 2725.07 | 2/1 |
| **Italy** | | | | | | | |
| Banca Comm. Ital(1972) | 819.48 | 797.16 | 796.57 | 819.48 | 19/6 | 642.55 | 2/1 |
| MIB General(2/1/97) | 1232.0 | 1199.0 | 1198.0 | 1232.00 | 19/6 | 991.00 | 2/1 |
| **Japan** | | | | | | | |
| Nikkei 225(16/5/49) | 20507.85 | 20497.85 | 20593.66 | 20681.07 | 16/6 | 17303.65 | 10/1 |
| Nikkei 300(1/10/82) | 295.80 | 296.09 | 297.13 | 298.50 | 16/6 | 251.84 | 27/1 |

| | Jun 19 | Jun 18 | Jun 17 | 1997 High | | 1997 Low | |
|---|---|---|---|---|---|---|---|
| **Japan** | | | | | | | |
| Topix(4/1/68) | 1530.54 | 1531.11 | 1537.38 | 1542.19 | 16/6 | 1320.82 | 10/4 |
| 2nd Section(4/1/68) | 1838.98 | 1840.92 | 1833.52 | 1840.92 | 18/6 | 1616.09 | 15/4 |
| **Malaysia** | | | | | | | |
| KLSE Comp.(4/4/86) | 1057.48 | 1088.12 | 1076.93 | 1271.57 | 25/2 | 1041.27 | 15/6 |
| **Mexico** | | | | | | | |
| IPC(Nov 1978) | (c) | 4281.52 | 4276.83 | 4281.52 | 18/6 | 3358.46 | 2/1 |
| **Netherland** | | | | | | | |
| CBS TtlRtnGen(End 83) | 1005.2 | 997.9 | 996.3 | 1005.20 | 19/6 | 738.80 | 2/1 |
| CBS All Shr(End 83) | 580.5 | 576.8 | 576.3 | 580.50 | 19/6 | 429.00 | 2/1 |
| **New Zealand** | | | | | | | |
| Cap. 40(1/7/86) | 2407.50 | 2400.21 | 2368.03 | 2448.21 | 20/1 | 2287.49 | 1/4 |
| **Norway** | | | | | | | |
| Oslo SE(Ind)(2/1/83) | 1980.06 | 1958.97 | 1973.05 | 1980.60 | 9/6 | 1638.03 | 2/1 |
| **Philippines** | | | | | | | |
| Manila Comp(2/1/85) | 2805.97 | 2823.35 | 2798.25 | 3447.60 | 3/2 | 2488.36 | 20/5 |
| **Portugal** | | | | | | | |
| BVL 30(4/1/93) | 3148.85 | 2154.84 | 3166.07 | 3179.84 | 16/6 | 2185.37 | 2/1 |
| **Singapore** | | | | | | | |
| SES All-S'pore(2/4/75) | 491.70 | 488.04 | 492.06 | 573.03 | 17/2 | 479.94 | 29/4 |
| **South Africa** | | | | | | | |
| JSE Gold(28/9/78) | 1061.3♥ | 1066.7 | 1100.3 | 1586.10 | 27/2 | 1061.30 | 19/6 |
| JSE Ind.(28/9/78) | 8433.8♥ | 8431.8 | 8432.7 | 8088.70 | 8/5 | 7658.50 | 2/1 |
| **South Korea** | | | | | | | |
| KoreaCompEx**(4/1/80) | 770.95 | 773.21 | 792.29 | 792.29 | 17/6 | 611.85 | 7/1 |
| **Spain** | | | | | | | |
| Madrid SE(30/12/85) | 582.92 | 577.80 | 571.84 | 582.92 | 19/6 | 434.54 | 2/1 |
| **Sweden** | | | | | | | |
| AffarsvarldsGen(1/2/37) | 2952.6 | 2930.5 | 2941.4 | 2954.00 | 19/6 | 2379.50 | 2/1 |
| **Switzerland** | | | | | | | |
| SMI Index(1/7/88) | 5510.3 | 5405.0 | 5345.9 | 5510.30 | 19/6 | 3822.90 | 7/1 |
| SPI General(1/6/87) | 3469.44 | 3430.09 | 3400.58 | 3469.44 | 19/6 | 2806.22 | 8/1 |
| **Taiwan** | | | | | | | |
| Weighted Pr.**(30/6/66) | 8636.29 | 8713.49 | 8679.24 | 8713.49 | 18/6 | 6844.75 | 6/1 |
| **Thailand** | | | | | | | |
| Bangkok SET(30/4/75) | 464.77 | 482.94 | 497.72 | 858.97 | 22/1 | 464.77 | 19/6 |
| **Turkey** | | | | | | | |
| IMKB Nat 100(1986) | 1601.00 | 1595.0 | 1551.00 | 1675.00 | 5/6 | 986.06 | 2/1 |
| **WORLD** | | | | | | | |
| MS Capital Intl(1/1/70) | 936.1* | 935.5 | 938.0 | 941.40 | 18/6 | 794.50 | 14/4 |
| **CROSS-BORDER** | | | | | | | |
| Eurotrack 100(26/10/90) | 2455.60 | 2427.88 | 2446.46 | 2455.80 | 19/6 | 1893.80 | 2/1 |
| FTSE E 100(26/5/90) | 2073.02 | 2063.77 | 2083.25 | 2882.85 | 13/6 | 1582.99 | 2/1 |
| HSBC JC Drgn(31/12/88) | (u) | 409.79 | 409.77 | 439.46 | 20/1 | 381.54 | 29/4 |
| ING Bangs Emrg(7/1/92) | 186.63 | 186.55 | 186.04 | 186.85 | 18/6 | 158.74 | 3/1 |

## INDEX FUTURES

| | Open | Sett Price | Change | High | Low | Est. vol. | Open Int. |
|---|---|---|---|---|---|---|---|
| **■ CAC-40 (200 x index)** | | | | | | | |
| Jun | 2750.0 | 2730.0 | −18.0 | 2788.0 | 2713.0 | 24,270 | 33,459 |
| Jul | 2749.0 | 2728.0 | −18.0 | 2776.0 | 2717.5 | 1,176 | 8,766 |
| **■ DAX** | | | | | | | |
| Jun | 3739.0 | 3777.0 | +50.5 | 3794.5 | 3739.0 | 30,175 | 92,954 |
| Sep | 3766.0 | 3806.0 | +53.0 | 3823.5 | 3766.0 | 21,030 | 70,687 |

| | Open | Sett Price | Change | High | Low | Est. vol. | Open Int. |
|---|---|---|---|---|---|---|---|
| **■ OMX** | | | | | | | |
| Jun | 2303.00 | 2338.00 | +26.00 | 2349.00 | 2303.00 | 4,899 | 20,407 |
| Jul | 2317.00 | 2342.25 | +25.00 | 2350.50 | 2310.50 | 1,994 | 8,039 |
| **■ SOFFEX** | | | | | | | |
| Jun | 5437.0 | 5513.7 | +123.7 | 5524.8 | 5434.7 | 9,209 | 17,970 |
| Jul | 5433.0 | 5513.1 | +123.1 | 5530.0 | 5433.0 | 3,975 | 13,917 |

** Sat June 14: Taiwan Weighted Price 8502.18; Korea Comp. Ex. 791.97. Base values of all indices are 100 except: Australia All Ord and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, SPI, Euro Top-100, ISEQ Overall, Toronto Comp./Met & Mins, DAX – all 1,000; SMI – 1500; JSE Gold – 255.7; JSE 25 Ind – 264.3; IMKB Nat 100 - 1; NYSE All Common - 50; Stand & Poor's – 10 and Amex Comp – 550. §§ Montreal. ‡ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jun 19 - 3777.50 +47.00

## US INDICES

| Dow Jones | Jun 18 | Jun 17 | Jun 16 | 1997 High | 1997 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 7718.71 | 7760.78 | 7772.09 | 7782.04 (13/6) | 6391.69 (11/4) | 7782.04 (13/6/97) | 41.22 (8/7/32) |
| Home Bonds | 103.04 | 103.07 | 102.76 | 103.83 (19/2) | 101.09 (14/4) | 108.77 (18/10/93) | 54.99 (1/10/81) |
| Transport | 2738.31 | 2727.56 | 2722.16 | 2741.87 (13/6) | 2222.07 (2/1) | 2741.87 (13/6/97) | 13.23 (8/7/32) |
| Utilities | 224.65 | 225.10 | 224.43 | 240.95 (22/1) | 209.47 (25/4) | 256.46 (21/6/93) | 16.53 (8/7/32) |

DJ Ind. Day's high 7785.28 (7834.97) Low 7651.30 (7680.71) (Theoretical)‡
Day's high 7760.09 (7810.09) Low 7697.90 (7703.78) (Actual)‡

| Standard and Poors | Jun 18 | Jun 17 | Jun 16 | 1997 High | 1997 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite‡ | 889.06 | 894.42 | 893.90 | 894.42 (17/6) | 737.01 (2/1) | 894.42 (17/6/97) | 4.40 (1/6/32) |
| Industrials♥ | 1042.98 | 1052.04 | 1051.20 | 1052.04 (17/6) | 865.42 (11/4) | 1052.04 (17/6/97) | 3.52 (30/6/32) |
| Financial | 103.17 | 102.57 | 102.70 | 103.17 (18/6) | 80.75 (2/1) | 103.17 (18/6/97) | 7.13 (4/6/74) |
| NYSE Comp. | 465.41 | 465.09 | 465.01 | 465.17 (13/6) | 389.47 (11/4) | 465.17 (13/6/97) | 4.64 (25/4/42) |
| Amex Comp. | 625.97 | 625.56 | 625.17 | 636.18 (13/6) | 541.20 (28/4) | 636.18 (13/6/97) | 524.20 (16/7/96) |
| NASDAQ Comp | 1432.43 | 1443.11 | 1431.06 | 1443.11 (17/6) | 1201.00 (2/4) | 1443.11 (17/6/97) | 54.87 (3/10/74) |

### ■ RATIOS

| | Jun 13 | Jun 6 | May 30 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 1.64 | 1.70 | 1.73 | 2.19 |
| | Jun 18 | Jun 11 | Jun 4 | Year ago |
| S & P Ind. Div. yield | 1.59 | 1.62 | 1.66 | 1.87 |
| S & P Ind. P/E ratio | 24.27 | 24.13 | 23.32 | 22.22 |

### ■ NEW YORK ACTIVE STOCKS

| Wednesday | Stocks traded | Close price | Change on day |
|---|---|---|---|
| Seagate | 16,416,000 | 36⅝ | −5⅛ |
| Gateway2000 | 8,605,500 | 32 | −2⅜ |
| Boston Pply | 7,918,300 | 26¼ | +1¼ |
| Kimb Clark | 7,661,400 | 50½ | −1⅛ |
| Philip Morris | 6,397,400 | 34½ | −1⅛ |
| RyndsR Rey | 5,178,700 | 18⅝ | +1⅞ |
| Anheuser Bsch | 5,027,300 | 41⅝ | −1⅛ |
| Westinghse | 4,341,400 | 22¼ | +⅛ |
| Compaq | 3,772,800 | 108⅝ | −2⅜ |
| Kmart | 3,730,200 | 13 | −⅛ |

### ■ TRADING ACTIVITY

| ● Volume (million) | Jun 18 | Jun 17 | Jun 16 |
|---|---|---|---|
| New York SE | 491.663 | 542.949 | 414,279 |
| Amex | 22.822 | 21.169 | 18.610 |
| NASDAQ | 598.940 | 627.180 | 507.491 |
| **NYSE** | | | |
| Issues Traded | 3,364 | 3,384 | 3,374 |
| Rises | 1,198 | 1,235 | 1,230 |
| Falls | 1,300 | 1,247 | 1,249 |
| Unchanged | 866 | 902 | 895 |
| New Highs | 229 | 257 | 305 |
| New Lows | 21 | 14 | 0 |

| | Open | Latest | Change | High | Low | Est. vol. | Open Int. |
|---|---|---|---|---|---|---|---|
| **■ S&P 500** | | | | | | | |
| Jun | – | 889.90 | – | – | – | 41,355 | 68,663 |
| Sep | 899.05 | 902.00 | +2.70 | 903.10 | 899.00 | 89,446 | 165,550 |

| | Open | Sett price | Change | High | Low | Est. vol. | Open Int. |
|---|---|---|---|---|---|---|---|
| **■ Nikkei 225** | | | | | | | |
| Sep | 20510.0 | 20440.0 | −140.0 | 20640.0 | 20410.0 | 17,003 | 156,409 |

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ♥ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ‡ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

### ■ TOKYO - MOST ACTIVE STOCKS: Thursday, June 19, 1997

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Fujitsu | 9.5m | 1530 | +20 |
| Nippon Steel Cp | 4.7m | 344 | |
| Dainippon Ink | 4.5m | 529 | +9 |
| Sumitomo Bank | 4.3m | 1770 | +20 |
| Hitachi | 4.2m | 1310 | +10 |

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Toshiba Corp | 3.4m | 747 | −13 |
| LTCB | 3.3m | 432 | +14 |
| Hokkaido Taku Bk | 3.0m | 155 | −8 |
| Nomura Secs | 3.0m | 1470 | |
| Yaohan Japan Cp | 2.9m | 241 | |

Prices supplied by Edif, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. 4 Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. 1 Priced in US $. (4) Stale. Stale prices in today's FT are pre-close.

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4 pm close June 19

# NEW YORK STOCK EXCHANGE PRICES

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -



Continued on next page

4 pm close June 19

# NYSE PRICES

| 1997 High | Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Chng Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| Continued from previous page | | | | | | | | | | |
| 61¼ | 48 | Salomon x | 0.64 | 1.1 | 8 | 2708 | 58¼ | 57¾ | 58¼ | |
| 18 | 12⅞ | SantaFeEPs | | | - | 4398 | 14⅞ | 14⅝ | 14⅝ | -⅛ |
| 39¼ | 34½ | SFePPipe | 3.00 | 7.8 | 11 | 36 | 38½ | 37⅞ | 38½ | +⅛ |
| 43⅞ | 35⅝ | SaraLee x | 0.84 | 2.0 | 21 | 4275 | 42⅞ | 41¾ | 42¼ | +½ |
| 61⅝ | 49⅝ | SBC Cm | 1.79 | 3.0 | 17 | 11098 | 60¾ | 59 | 60⅝ | +½ |
| 26⅞ | 23⅛ | Scana Corp x | 1.51 | 6.1 | 12 | 1723 | 25 | 24⅝ | 24⅞ | -⅛ |
| 6⅛ | 7⅛ | SchwabA x | 0.25 | 3.0 | 33 | 20 | 8⅛ | 8¼ | 8¾ | |
| 52 | 44½ | SchererRP | | | 24 | 961 | 56½ | 55 | 55⅞ | +⅝ |
| 48⅞ | 31¾ | SchPl | 0.78 | 1.5 | 36 | 9792 | u49⅞ | 48⅞ | 49½ | -1½ |
| 128¼ | 00 | Schlmb x | 1.50 | 1.2 | 33 | 9923 | 122¼ | 120⅛ | 120⅜ | -1¼ |
| 42⅝ | 30⅞ | SchwabC | 0.20 | 0.5 | 20 | 2726 | 42⅞ | 41¾ | 41⅝ | -½ |
| 39½ | 29⅞ | SchwMaud | 0.60 | 1.5 | 15 | 172 | 39¾ | 30 | 39⅛ | |
| 23½ | 14¼ | SciAtl x | 0.06 | 0.3 | 88 | 3367 | 23⅛ | 22⅞ | 22¾ | -¼ |
| 29⅞ | 22 | Scotsman | 0.10 | 0.4 | 14 | 82 | 27¼ | 27 | 27⅛ | |
| 14¼ | 12⅞ | ScuddrNAsF | 0.03 | 0.2 | | 181 | 14⅝ | 14 | 14 | |
| 18½ | 13⅞ | ScuddrNEsF | 0.06 | 0.4 | | 147 | 16¼ | 16⅛ | 16¼ | |
| 22⅛ | 15⅞ | SeaCnA | 0.77 | 3.5 | 15 | 213 | u22⅞ | 21⅞ | 22¼ | +¼ |
| 18¾ | 15⅛ | SeaC1.4625 | 1.46 | 8.5 | | 33 | u17¼ | 16¾ | 17¼ | +½ |
| 56¼ | 25¾ | S'gate | | | 12 | 40836 | 36½ | d35⅝ | 35¾ | +⅛ |
| 42¾ | 35¾ | Seagrm | 0.50 | 1.6 | | 5902 | 41 | 40⅝ | 40¾ | +⅛ |
| 24⅛ | 15¾ | Seagull En | | | 21 | 2308 | 18⅛ | 17¾ | 18 | |
| 49⅝ | 38¾ | Sealed Air | | | 28 | 332 | 48⅞ | 48¼ | 48¼ | -⅛ |
| 58¾ | 44⅝ | SearsR x | 0.92 | 1.7 | 16 | 10756 | 54¼ | 53⅞ | 53½ | +⅛ |
| 25 | 21 | SeCpSBRG | 1.30 | 5.7 | 13 | 579 | 22⅞ | 22½ | 22¾ | |
| 12⅞ | 12¼ | Seligm Sel x | 0.84 | 6.5 | | 5 | d12⅞ | 12¾ | 12⅞ | +⅛ |
| 18 | 14½ | Sensormat | 0.22 | 1.4 | 77 | 989 | 15½ | 15⅛ | 15½ | +½ |
| 53¼ | 36¼ | SequaA | 0.60 | 1.1 | 57 | 124 | u54¼ | 53 | 54¼ | +1¼ |
| 57 | 47½ | SequaB | 0.50 | 0.9 | 56 | 20 | 58 | 56 | 56 | |
| 36 | 26⅞ | ServCp | 0.30 | 0.9 | 26 | 6612 | 35⅛ | 34¼ | 35⅛ | +1½ |
| 35⅞ | 24⅝ | [illegible] | 0.72 | 2.0 | 20 | 790 | | | | |
| 38¼ | 19¼ | Wyman Ind x | 0.32 | 1.1 | 16 | 107 | u28 | 28¼ | 28 | +⅛ |

## - X - Y - Z -

| 1997 High | Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Chng Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 73¼ | 51½ | Xerox x | 1.28 | 1.7 | 20 | 7101 | u75 | 72⅞ | 75 | +2⅝ |
| 48 | 40½ | Xtra Corp | 0.80 | 1.7 | 17 | 178 | 46¼ | 45⅝ | 45⅞ | -½ |
| 24⅞ | 20¼ | Yankee Egy x | 1.30 | 5.3 | 16 | 57 | 24⅞ | 24½ | 24⅝ | +⅛ |
| 58 | 37⅞ | York Int x | 0.48 | 1.0 | 15 | 5838 | 49½ | 48⅞ | 49½ | +⅝ |
| 5 | 4 | Zapata | | | | 455 | u5 | 4⅞ | 5 | +⅛ |
| 13¼ | 6⅛ | ZenithE | | | | 7689 | 12⅞ | 12 | 12¼ | +⅛ |
| 27⅞ | 24⅝ | Zenith Nat | 1.00 | 3.7 | 15 | 489 | 27½ | 27¼ | 27⅝ | +⅛ |
| 7⅞ | 7¼ | Zweig Inc. | 0.72 | 9.6 | | 158 | u7¾ | 7⅞ | 7⅝ | |
| 23⅞ | 17¼ | Zurn | 0.12 | 0.5 | 18 | 70 | 23¼ | 23⅛ | 23¼ | +⅛ |
| 12⅞ | 10¼ | ZweigFdS | 1.20 | 9.9 | | 271 | u12¼ | 12 | 12⅛ | +⅛ |
| 8⅞ | 8 | Zweig Tot x | 0.84 | 9.5 | | 509 | u8⅞ | 8¾ | 8⅞ | |

*Price data supplied by Extel, part of FT Information.*

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

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# NASDAQ NATIONAL MARKET

4 pm close June 19

## - K -

| Stock | Div. | P/E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| K Swiss | 0.08 | 3 | 40 | 35 u14⅛ | 13⅝ | 13⅝ | -3/16 |
| Kaman Cp | 0.44 | 28 | 1099 | 14⅞ | 14 | 14⅞ | |
| Kelly Sv | 0.84 | 15 | 335 | u30 | 29⅛ | 30 | +¼ |
| Kimball | 1.10 | 14 | 492 | 40¾ | 40 | 40 | -¾ |
| KLA-Tn | | 26 | 13949 | 50¼ | 47¼ | 50 | +1¾ |
| Koll A | | | 114 | ⅞ | 0 13/16 | ⅞ | |
| Komag | | 15 | 10232 | 25⅛ | d24 1/16 | 25⅛ | +3/16 |
| Kulicke S | | | 6494 | 28 7/16 | 25¾ | 28⅞ | +1½ |

| Stock | Div. | P/E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| Pres Life x | 0.20 | 14 | 2627 | u17½ | 16 15/16 | 17½ | +½ |
| Presstek | | 172 | 1054 | 93 | 88¼ | 91½ | +1⅝ |
| PriceREIT | | 10 | 2444 | 22⅛ | 21⅝ | 22 | -⅛ |
| Printronx | | 16 | 367 | 14¼ | 13⅞ | 14 | +⅛ |
| Prod Ops | 0.28 | 35 | z0 | 70½ | 70½ | 70½ | |
| Qualcomm | | 100 | 10993 | 49¼ | 47⅞ | 49¼ | +1½ |
| Qual Food | | 22 | z0 | 40⅝ | 40⅝ | 40⅝ | +⅛ |
| Quantum | | 18 | 50424 | 22 15/16 | 22⅛ | 22 13/16 | +7/16 |
| Quickslv | | 18 | 58 | 32¾ | 32 | 32½ | +⅜ |
| Quintiles | | 225 | 3085 | 68¼ | 65¾ | 68 | +1 |

## - X - Y - Z -

| Stock | Div. | P/E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| Wyman-Gdn | 0.40 | 53 | 1987 | 26⅞ | 25 | 26⅛ | +1½ |
| Xilinx | | 34 | 20225 | 21½ | 49½ | 49 9/16 | -1 |
| Xircom | | 18 | 4379 | 12⅞ | 12⅜ | 12½ | +3/16 |
| Xoma Corp | | | 1251 | 5 | 4¾ | 4 13/16 | +3/16 |
| Yellow | | | 3305 | 22½ | 21½ | 22½ | +¼ |
| York Rsch | | 10 | 394 | 7⅞ | 7⅞ | 7⅞ | +1/16 |
| ZionBcp | 0.44 | 18 | 715 | 33½ | 32¾ | 33 | -½ |

# AMEX PRICES

4 pm close June 19



# EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members. EASDAQ Members are made up of Brokers and Banks from across Europe.

| Company | Mid price | Change on day | Volume | High | Low | Company | Mid price | Change on day | Volume | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ActivCard | US$4.25 | -0.625 | 15200 | 8.25 | 4.125 | Esprit Telecom ADS | US$8 | | 0 | 12.25 | 5.375 |
| Artwork Systems | US$10.375 | | 63780 | 11.125 | 9.5 | Innogenetics | US$11.375 | -0.125 | 15800 | 12.75 | 10.375 |
| Chemunex | FFr18 | -0.5 | 9000 | 18 | 14 | Mestar Intercontl. | US$10 | | 0 | 11.75 | 8.125 |
| Dr Solomon's ADS | US$22.25 | -1 | 4000 | 26.5 | 16.875 | PaTech | US$4 | -0.125 | 0 | 6.125 | 3.875 |

Prices for 19/6/97. Please note that mid prices are now used to calculate highs and lows.

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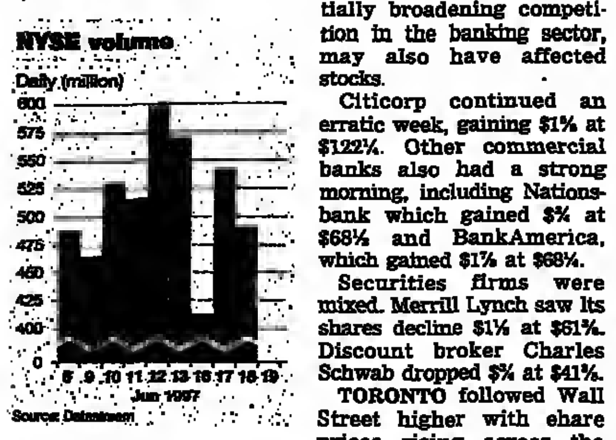
FINANCIAL TIMES Friday June 20 1997

# Dow rallies as inflation stays weak

## AMERICAS

Renewed buying of technology stocks, rumours of an imminent settlement between tobacco companies and their critics, and another round of positivs inflation data led to a rebound in New York at midsession, *writes John Labate in New York.*

The Dow Jones Industrial average was 43.88 higher at 7,762.13 at midsession. Philip Morris hit a new record high, rising $2⅝ or 5.2 per cent to $47⅞. Among other Dow components, International Paper gained $1⅛ et $50⅞ and IBM $1⅛ at $90⅛. The broader Standard & Poor'e index of 500 stocks rose 4.29 at 893.39.




Technology stocks recovered. The technology-weighted Nasdaq composite index put on 9.34 to 1,441.77. Cisco Systems, the networking leader, rose $1⅟₁₆ to $68⅟₁₆. Dell Computer rose sharply by $2¾ at $119⅞, while semicondnctor producer Intel increased $⅟₁₆ to $147⅛. Seagate Technology, hit by a sell-off on Wednesday, rose $¼ to $36⅞.

Pharmaceuticals were stroog following upgraded forecasts from analysts. Warner Lambert surged $4⅛ to $109¾, while Pfizer rose $2⅝ to $111. Matching the trend was Merck, a Dow constituent, which had gained $2¼, at $98⅞.

Tobacco company stocks continued trading higher on rumours that a settlement announcement was imminent. RJR Nabisco edged up $⅞ to $35⅞.

Early weakness in the bond market caused mixed results among financlal stocks. Recent moves this week in Congress, potentially broadening competition in the banking sector, may also have affected stocks.

Citicorp continued an erratic week, gaining $1⅞ at $122¼. Other commercial banks also had a strong morning, including Nationsbank which gained $¾ at $68½ and BankAmerica, which gained $1⅞ at $68¾.

Securities firms were mixed. Merrill Lynch saw its shares decline $1⅛ at $61⅞. Discount broker Charles Schwab dropped $¾ at $41⅞.

**TORONTO** followed Wall Street higher with ehare prices rising across the board to offset a mixed session for golds. At noon, the 300 composite index was up 22.26 at 6,520.40.

Newbridge Networks rose strongly for the second day running, adding C$1.45 to C$61.80 for a two-session gain of almost 4 per cent. Seagram wae also in demand, rising 575 cents to C$56.85 in solid volume.

Royal Bank of Canada put on 55 cents to C$60.90 and Toronto Dominion Bank added 20 cents to C$42.35. Canadian Pacific, a strong market lately on disposal news, slipped back on profit-taking. easing 10 cents to C$39.40

Placer Dome edged 20 cents higher to C$24.55, bnt for the most part golds were clearly ruffled by the softening bullion price. Barrick shed 20 cents to C$32.60.

# Latin America moves up

Leading Latin American centres moved steadily higher in solid volumes following the latest round of positive inflation data to emerge from the US.

**MEXICO CITY** pushed strongly higher, building on recent record highs in the face of early strength on Wall Street and aggressive buying of ADRs. At midsession, the IPC index was up 47.49 or 1.1 per cent at 4,329.01.

Cemex gained 75 centavos to 33 pesos and Telmex put on 22 centavos to 18.74 pesos. Grupo Tribasa, the big construction group, rose 80 centavos to 22 pesos.

Financlals were mostly mixed. Bancomer added 2 centavos to 3.84 pesos.

**BUENOS AIRES** pushed deeper into new territory, adding 147 to 12,352 on the Bovespa index at midsession.

**CARACAS** also reached new peaks, and at midsession the IPSA index had notched up a gain of 92.54 to 7,836.42.

# Johannesburg pulled lower by dramatic fall in golds

Golde fell heavily in Johannesburg and as a result the all-share index ended with a loss of 9.0 at 7,209.1.

Dealers said there was continned downside pressure from the futures market ahead of today's expiries but the main bear push came from golds which fell dramatically on bullion price weakness.

Vaal Reefs came off R6.75 to R243.50, Kloof 50 cents to R27.75 and Western Deep R3.50 to 113.50. "It was a blood-bath," said one broker.

The golds index closed at a 51-month low, sliding 35.4 or 8.2 per cent to 1,061.3.

Industrials were generally mixed. The industrial index edged 1.9 higher to 3,433.8. Gencor, which hit a high of R22 at one stage, ended 20 cents better at R20.95.

# Paris pulls back as Jospin outlines policy

## EUROPE

French prime minister Lionel Jospin's policy speech sent **PARIS** spinning lower in good two-way volume of 16.2m shares. The CAC 40 index, which pushed ahead to 2,790.19 in early trading, was trailing by 12.05 at 2,739.69 at the close.

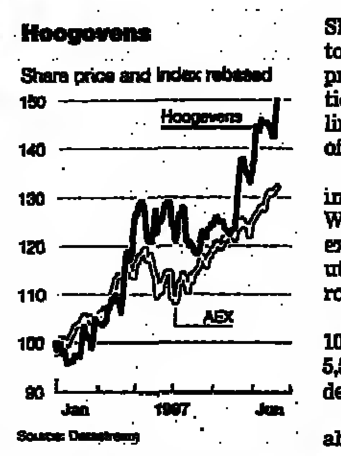
"It was all a bit disheartening. Ths market's snap reaction is that this government is slowly showing its true, left of centre colours," said one broker.

Retailers were seen as clear beneficiaries of the plans for higher minimum wages and greater jobs security. Promodes rose FFr27 to FFr2,195 and Carrefour gained FFr43 to FFr4,159. But Pinault-Printemps led the sector, advancing FFr79 or 2.8 per cent to FFr2,862.

LVMH came off steeply on the news that it had been buying yet more shares in Grand Metropolitan. The luxury goods group took its GrandMet stake up to more than 5 per cent. One broker said: "This behaviour is too cavalier for us. We would like to know what the group is up to." LVMH fell FFr46 or 3 per cent to FFr1,461.

Moulinex responded to the npbeat results statement with a rise of FFr6.00 to FFr149.

**ZURICH** climbed 2 per cent to another new peak as US buyers piled into Novartis after this week'a presentations on both sides of the Atlantic which alerted investors to the company's potential for mnch stronger growth than was originally expected.




Novartis, up 3.8 per cent on Wednesday, aurged another SFr73 or 3.3 per cent to SFr2,275 as investors decided the ehare price should no longer trade at a discount to the prices of other leading US and European pharmaceutical stocks.

Adecco, the temporary employment group, soared SFr44 or 8.2 per cent to SFr579 on the realisation that Italy was likely to legalise the status of temporary staff there by the early autumn.

Swissair climbed SFr42 to SFr1,583 after a presentation to analysts in London prompted renewed speculation about whether the airline might consider spinning off its catering activities.

CS Group again stood out in the financial sector as Wednesday's rebound was extended to a second consecutive session and the shares rose SFr4.75 to SFr193.75.

The SMI index jumped 105.3 to an all-time high of 5,510.3, helped by a round of derivatives-linked buying.

**FRANKFURT** was sharply ahead in late trade with early opening gains on Wall Street and short covering providing the main upward thrust.

The Ibis-indicated Dax came off its best levels in response to declines in the dollar and the domestic bond market but still closed 47.00 better at 3,777.56.

Volkswagen, up DM30.55 at DM1,249, was one of the day'e main gainers after the company said at its annual meeting that it expected higher earnings in 1997.

Hoechst and BASF rose in tandem as they received EU Commission approval to proceed with their Targor polypropylene joint venture. Targor will be the second biggest polypropylene manufacturer in Europe.

Hoechst rose 90 pfg to DM70.80 and BASF gained 45 pfg to DM64.30. Having risen strongly in the floor session on the back of favourable analysts' meetings, Bayer succumbed to profit-taking in the Ibis session, edging down 12 pfg to DM69.18.

**FTSE** Actuaries Share Indices

| Jun 19 | | | | | | | THE EUROPEAN SERIES | |
|---|---|---|---|---|---|---|---|---|
| Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
| FTSE Eurotrack 100 | 2438.88 | 2442.33 | 2444.87 | 2449.14 | 2448.56 | 2454.07 | 2455.26 | 2455.60 |
| FTSE Eurotrack 200 | 2444.20 | 2442.47 | 2446.43 | 2448.32 | 2447.42 | 2452.79 | 2456.80 | 2455.01 |

| | Jun 18 | Jun 17 | Jun 16 | Jun 13 | Jun 12 |
|---|---|---|---|---|---|
| FTSE Eurotrack 100 | 2427.88 | 2446.48 | 2451.85 | 2441.70 | 2406.56 |
| FTSE Eurotrack 200 | 2437.50 | 2454.20 | 2471.83 | 2473.84 | 2445.01 |

Base value 1000 (26/10/90); High/day: 100 - 2455.89, 200 - 2458.37 Low/day: 100 - 2438.33 200 - 2442.12. † Partial



**AMSTERDAM** rose to a record high in heavy volume ahead of today's options expiry. The AEX index ended up 7.46 at 856.59.

There was profit-taking at Philips, but most leaders were comfortably higher, notably Hoogovens and KPN which advanced by 5.5 per cent and 4.8 per cent respectively.

The steel group was said to have been subject to an upgrade by a leading US broker. There was talk of a target price approaching Fl 135 and the shares ended Fl 5.60 higher at Fl 108.10.

KPN, which plans to split itself into two separate companies, jumped Fl 3.40 to Fl 82.80 in 5.8m shares traded to extend its rally since the start of the month to close on 19 per cent.

Up 13 per cent in two sessions on the news of the telecoms equipment tie-up with Lucent Technologies of the US, Philips cams off Fl 3.20 to 134.60.

Employment agency newcomer Brunel International made a solid debut, closing at Fl 44.70 in 6m shares traded, against a flotation price of Fl 41.

**MILAN** was higher but off its best levels as profits were taken in some leading stocks.

The Comit index jumped 22.32 to 819.48 while the real-time Mibtel index turned back from a high of 13,170 to close 128 ahead at 13,058.

Benetton, the clothing and retailing group, soared L911 to L27,434, taking its cumulative rise since the start of this week to 8.1 per cent, and since the start of last week to 18.3 per cent.

Standard & Poor'e MarketScope research group, which recommended the stock, estimated that Benetton'e cash inflow was already L200bn for this financial year and would increase to L300bn-L350bn for the full year.

Mr Matthew Windridge, MarketScope's head of research, said that Benetton needed to make acquisitions and was in a strong position to do so. The group was also about to announce a L500bn bond issue in a refinancing operation which would also enhance prospects.

**STOCKHOLM** climbed to a record high ahead of today's national holiday, helped by a surge at Astra on talk that its Pulmicort asthma drug was set to be approved by the US Food and Drug Administration.

Astra claimed no knowledge of any US move but the shares closed SKr7 higher at SKr137 after a hectic two-way session involving 9.6m shares.

Ericsson received an "unattractive" rating from PaineWebber and ellpped SKr7.50 to SKr289.5. At the close the general index was up 24.61 at 2,914.77.

**COPENHAGEN** saw a sharp rise in the Danish banking league. BG Bank rose DKr18.00 to DKr352 after Den Danske Bank reiterated its "outperform recommendation. The KFX index ended up 1.24 at 172.18.

Written and edited by Michael Morgan and Jeffrey Brown

# Renewed confidence sends Hong Kong up 2.1%

## ASIA PACIFIC

A strong rebound by property and bank stocks propelled **HONG KONG** 2.1 per cent higher. The Hang Seng index soared 302.60 to 14,506.49 in turnover that increased to HK$22.1bn from HK$17.5bn on Wednesday.

Analysts ettributed the better showing by the property sector to a growing consensus that the post-handover government would concentrate on supply, rather than take drastic measures against high prices.

Banks benefited from the view that their collateral would be safer if the new government did not take measures to knock prices down sharply.

The strength of the market, which rose as much as 365 points at one stage, was also fuelled by heavy interest in red chips, which have recently been accounting for around 40 per cent of the market's total volume.

Hang Seng Bank eurged HK$4.50 to HK$96.75 on the view that it could be an acquisition target for mainland companies. Among properties, Cheung Kong rose HK$1.50 to HK$74.50 and Sun Hung Kai Properties surged HK$3 to HK$90.

SocGen Crosby Securities, meanwhile, forecast that the market could reach a new high of 16,500-16,600 points in the month after the territory's reversion to China on July 1.

**TOKYO** was mixed in thin volume as investors went on hold ahead of the weekend G7 summit in Denver and the publication next week of the Bank of Japan's quarterly survey of business confidence, *writes Gwen Robinson.*

The Nikkei 225 average rose 10.00 to 20,507.85 after moving between 20,400.14 and 20,591.46. Stocks opened slightly lower in line with New York overnight and seesawed for the rest of the session on successive waves of bargain-hunting and profit-taking.

The Topix index of all first-section stocks slid 1.17 to 1,530.54 and the capital-weighted Nikkei 300 was off 0.29 at 295.80. Volume rose from 302m shares to an estimated 323m. Declines led advances 644 to 422 with 177 unchanged.

In London, the ISE/Nikkei 50 index rose 3.5 to 1,601.28.

Demand for leading electrical and high-technology issues fuelled the market's mid-morning rally. Fujitsu, the day's most active stock, added Y20 to Y1,530. Sony gained Y30 to Y9,780, Pioneer Electronic Y80 to Y2,770 and Canon Y50 to Y3,050.

Other leading electricals and blue-chip exporters, however, fell on continuing concerns about exchange-rate turbulence. Honda slid Y100 to Y3,240 on Wednesday's news of production cuts in its sport-utility vehicles, and Toyota shed Y50 to Y3,290. TDK fell Y80 to Y8,420, Advantest Y150 to Y8,650 and Fuji Photo Film Y100 to Y4,430.

Dai-Ichi Kangyo Bank fell Y30 to Y1,410 on Wednesday's government decision to exclude the bank from participating in the bidding and underwriting of government bonds following the widening scandal over illegal links with corporate racketeers.

Domestic demand-driven issues continued to draw buying interest amid lingering exchange-rate concerns. Among retailers, Mitsukoshi gained Y11 to Y861, Ito-Yokado Y180 to Y7,050 and Jusco Y30 to Y3,990. Pharmaceuticals advanced. Sankyo rose Y50 to Y3,810 and Takeda Chemical Y80 to Y3,300.

In Osaka, the OSE fell 93.79 to 21,242.42 and volume eased to 14.8m shares.

**BANGKOK** fell to e fresh 98-month low on the news that the Thai finance minister had resigned. The SET index, which stood at 1,400 at the start of 1996, fell 20.21 or 4.2 per cent to 462.73 on turnover of Bt5.9bn.

"The latest political fall-out means that investors are now very worried about the direction of government economic policy," said one broker. The new finance minister is due to be named today.

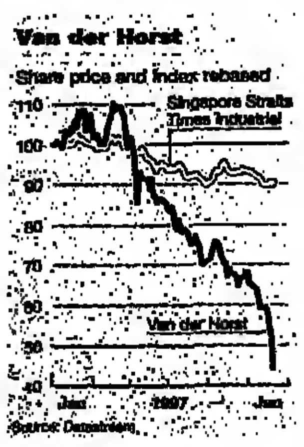
Banks continued to lead the market lower. Bangkok Bank fell Bt9 to Bt102 on turnover of Bt734m. Thai Farmers Bank shed Bt5.50 to Bt73 and Siam Commercial Bank Bt7 to Bt79.

Advanced Info Service slid Bt13 to Bt134. Siam Cement came off Bt32 to Bt366.

**TAIPEI** see-sawed violently in record volume, surging to a seven-year high of 8,827.88 on the weighted index before closing down 77.20 at 8,636.29.

The volatility, which stemmed from statements from the central bank and the local SEC, lifted turnover to a best-ever T$251bn. The market initially took heart from central bank reassurance on monetary policy but snbseqnently raced lower after an SEC ruling on broker forecasts.

**MANILA** rose for the third day running, advancing 82.62 or 2.9 per cent to 2,905.97 on the composite index following across-the-board buying of property stocks.




Turnover was heavy at 3.2bn pesos. Ayala Land added 1.50 pesos to 24 pesos and Empire East Land rose 30 centavos to 4 pesos.

Pilipino Telephone Corp gained 1.50 pesos to 11.50 pesos.

**SINGAPORE** featured a 16.2 per cent tumble in Van der Horst as the engineering coocern was hit by market talk of contract delays and forecasts of poor interim results, due in the next few days. Van der Horst dropped 50 cents to S$2.58, adding to the losses that have pulled the stock down from S$6.50 in February.

The broader market staged a minor recovery, with the Straits Times Industrial index up 17.89 at 2,002.97, but in thin volume of 110m shares.

## FT/S&P ACTUARIES WORLD INDICES

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| NATIONAL AND REGIONAL MARKETS | WEDNESDAY JUNE 18 1997 | | | | | | | | TUESDAY JUNE 17 1997 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 52 week High | 52 week Low | Year ago (approx) |
| Australia (76) | 236.44 | -0.3 | 213.80 | 169.17 | 212.29 | 209.41 | -0.4 | 3.68 | 237.11 | 214.61 | 169.99 | 213.73 | 210.21 | 237.11 | 188.44 | 200.82 |
| Austria (24) | 193.43 | -0.2 | 174.80 | 138.40 | 173.67 | 173.58 | -0.6 | 1.92 | 193.89 | 175.49 | 139.01 | 174.77 | 174.68 | 200.52 | 174.70 | 191.99 |
| Belgium (26) | 250.82 | -0.2 | 226.80 | 179.46 | 225.20 | 220.40 | -0.6 | 3.24 | 251.30 | 227.45 | 180.17 | 226.51 | 221.77 | 255.67 | 206.70 | 213.92 |
| Brazil (30) | 292.72 | 0.3 | 264.68 | 209.44 | 262.81 | 579.27 | 0.4 | 1.25 | 291.77 | 264.09 | 209.18 | 263.00 | 576.75 | 292.72 | 170.26 | 172.90 |
| Canada (112) | 209.77 | -0.7 | 189.68 | 150.09 | 188.34 | 210.64 | -0.6 | 1.88 | 211.19 | 191.15 | 151.41 | 190.36 | 211.94 | 212.99 | 154.12 | 160.32 |
| Denmark (32) | 387.88 | 0.2 | 350.73 | 277.52 | 348.26 | 346.97 | -0.2 | 1.48 | 387.08 | 350.33 | 277.50 | 348.88 | 347.67 | 391.53 | 289.70 | 299.70 |
| Finland (28) | 274.31 | 0.4 | 248.04 | 196.27 | 246.29 | 297.97 | 0.3 | 1.85 | 273.14 | 247.22 | 195.82 | 246.20 | 297.09 | 279.84 | 186.67 | 193.67 |
| France (91) | 224.68 | 0.1 | 203.32 | 160.88 | 201.68 | 205.48 | -0.3 | 2.75 | 224.75 | 203.42 | 161.13 | 202.58 | 206.20 | 232.34 | 186.94 | 196.44 |
| Germany (59) | 216.07 | 0.2 | 195.38 | 154.59 | 194.00 | 194.00 | -0.2 | 1.46 | 215.71 | 195.24 | 154.65 | 194.43 | 194.43 | 217.51 | 168.70 | 171.11 |
| Hong Kong (66) | 501.71 | -0.1 | 453.66 | 358.97 | 450.46 | 498.59 | -0.1 | 3.03 | 502.06 | 454.42 | 359.94 | 452.54 | 498.93 | 528.98 | 407.55 | 427.76 |
| Indonesia (27) | 248.00 | 1.2 | 224.25 | 177.44 | 222.67 | 369.32 | 1.2 | 1.80 | 245.04 | 221.79 | 175.68 | 220.87 | 365.06 | - | - | - |
| Ireland (17) | 348.43 | -0.7 | 315.06 | 249.30 | 312.84 | 325.21 | -0.8 | 2.91 | 350.93 | 317.63 | 251.59 | 316.32 | 327.93 | 354.84 | 270.08 | 290.82 |
| Italy (59) | 94.09 | 2.4 | 85.08 | 67.32 | 84.48 | 118.91 | 2.1 | 2.12 | 91.89 | 83.17 | 65.88 | 82.82 | 116.47 | 98.32 | 73.26 | 83.51 |
| Japan (485) | 138.76 | -0.2 | 125.47 | 99.28 | 124.59 | 99.28 | -0.4 | 0.79 | 139.00 | 125.81 | 99.66 | 125.30 | 99.99 | 158.25 | 107.57 | 157.79 |
| Malaysia (107) | 523.66 | 0.7 | 473.50 | 374.67 | 470.16 | 506.98 | 0.8 | 1.35 | 520.20 | 470.84 | 372.95 | 468.90 | 503.17 | 660.85 | 510.10 | 551.36 |
| Mexico (27) | 1536.51 | 0.7 | 1389.35 | 1099.35 | 1379.55 | 13261.62 | 0.2 | 1.40 | 1525.21 | 1380.49 | 1093.49 | 1374.79 | 13253.99 | 1536.51 | 1110.35 | 1234.29 |
| Netherland (19) | 392.93 | 0.4 | 355.30 | 281.13 | 352.79 | 348.49 | 0.0 | 2.23 | 391.29 | 354.16 | 280.53 | 352.70 | 348.34 | 394.22 | 279.88 | 299.48 |
| New Zealand (14) | 92.79 | 1.7 | 83.90 | 66.39 | 83.31 | 71.46 | 1.8 | 4.02 | 91.20 | 82.55 | 65.39 | 82.21 | 70.18 | 95.60 | 78.86 | 79.03 |
| Norway (41) | 307.15 | -0.2 | 277.73 | 219.76 | 275.77 | 301.26 | -0.7 | 2.04 | 307.77 | 278.58 | 220.65 | 277.41 | 303.29 | 321.23 | 246.04 | 256.94 |
| Philippines (22) | 168.54 | 0.8 | 152.40 | 120.58 | 151.32 | 221.56 | 0.6 | 0.84 | 167.58 | 151.68 | 120.15 | 151.06 | 220.27 | - | - | - |
| Singapore (42) | 381.09 | -1.1 | 344.59 | 272.67 | 342.16 | 250.22 | -1.2 | 1.20 | 385.39 | 348.82 | 276.30 | 347.38 | 253.36 | 448.01 | 360.06 | 415.26 |
| South Africa (44) | 356.60 | 0.5 | 322.44 | 255.14 | 320.17 | 351.79 | 0.5 | 2.46 | 354.90 | 321.23 | 254.45 | 319.90 | 349.89 | 370.12 | 301.49 | 360.33 |
| Spain (35) | 256.51 | 1.8 | 231.94 | 183.53 | 230.30 | 283.12 | 1.1 | 2.31 | 252.51 | 228.55 | 181.04 | 227.81 | 280.00 | 262.42 | 171.81 | 182.99 |
| Sweden (49) | 465.77 | 0.2 | 421.16 | 333.25 | 418.16 | 532.18 | -0.4 | 1.94 | 464.95 | 420.83 | 333.34 | 419.09 | 534.49 | 466.22 | 334.35 | 357.02 |
| Switzerland (35) | 301.81 | 1.3 | 272.90 | 215.94 | 270.98 | 270.24 | 1.0 | 1.24 | 298.03 | 269.75 | 213.67 | 268.63 | 267.50 | 301.81 | 231.69 | 238.18 |
| Thailand (43) | 49.47 | -3.0 | 44.73 | 35.40 | 44.42 | 49.66 | -2.8 | 6.29 | 50.99 | 46.14 | 36.55 | 45.95 | 51.11 | 172.92 | 49.47 | 169.50 |
| United Kingdom (212) | 301.26 | -0.4 | 272.40 | 215.54 | 270.48 | 272.40 | -0.5 | 3.71 | 302.58 | 273.87 | 216.93 | 272.73 | 273.87 | 308.21 | 229.63 | 234.92 |
| USA (648) | 360.20 | -0.5 | 325.70 | 257.72 | 323.40 | 360.20 | -0.5 | 1.70 | 362.03 | 327.68 | 259.55 | 326.32 | 362.03 | 362.03 | 254.76 | 269.76 |
| Americas (817) | 329.51 | -0.5 | 297.95 | 235.79 | 295.84 | 277.54 | -0.5 | 1.70 | 331.13 | 299.71 | 237.40 | 298.47 | 278.91 | 331.13 | 233.09 | 246.44 |
| Europe (727) | 265.81 | 0.2 | 240.35 | 190.18 | 238.66 | 246.76 | -0.1 | 2.60 | 265.25 | 240.08 | 190.17 | 239.09 | 246.92 | 268.01 | 204.71 | 211.58 |
| Nordic (150) | 398.47 | 0.2 | 360.31 | 285.10 | 357.76 | 394.66 | -0.3 | 1.86 | 397.76 | 360.02 | 285.17 | 358.53 | 395.91 | 401.56 | 291.45 | 305.44 |
| Pacific Basin (882) | 155.99 | -0.1 | 141.05 | 111.61 | 140.05 | 113.04 | -0.3 | 1.25 | 156.20 | 141.38 | 111.98 | 140.79 | 113.37 | 170.85 | 127.18 | 170.10 |
| Euro-Pacific (1609) | 201.82 | 0.1 | 182.49 | 144.40 | 181.21 | 163.49 | -0.2 | 1.99 | 201.71 | 182.57 | 144.62 | 181.82 | 163.79 | 203.07 | 173.55 | 187.27 |
| North America (760) | 350.90 | -0.5 | 317.29 | 251.07 | 315.05 | 350.25 | -0.5 | 1.71 | 352.71 | 319.24 | 252.87 | 317.93 | 352.05 | 352.71 | 246.65 | 262.99 |
| Europe Ex. UK (515) | 240.45 | 0.6 | 217.43 | 172.04 | 215.89 | 226.90 | 0.2 | 1.88 | 239.07 | 216.39 | 171.40 | 215.48 | 226.44 | 241.28 | 185.65 | 193.57 |
| Pacific Ex. Japan (397) | 306.78 | 0.0 | 277.40 | 218.50 | 275.44 | 269.38 | 0.0 | 2.77 | 306.82 | 277.71 | 219.97 | 276.56 | 269.46 | 320.65 | 268.97 | 285.88 |
| World Ex. US (1822) | 205.45 | 0.0 | 185.77 | 147.00 | 184.48 | 170.20 | -0.2 | 1.98 | 205.97 | 185.88 | 147.24 | 185.12 | 170.48 | 206.71 | 176.94 | 188.40 |
| World Ex. UK (2258) | 250.21 | -0.2 | 226.25 | 179.03 | 224.65 | 218.81 | -0.3 | 1.65 | 250.70 | 226.91 | 179.74 | 225.96 | 220.47 | 251.16 | 199.58 | 211.26 |
| World Ex. Japan (1985) | 314.33 | -0.2 | 284.22 | 224.90 | 282.22 | 304.15 | -0.3 | 2.07 | 315.04 | 285.15 | 225.86 | 283.97 | 305.11 | 315.93 | 233.10 | 244.34 |
| The World Index (2470) | 254.65 | -0.2 | 230.26 | 182.20 | 228.63 | 224.77 | -0.3 | 1.86 | 255.20 | 230.99 | 182.96 | 230.03 | 225.60 | 255.94 | 202.32 | 213.40 |

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RECRUITMENT

**Robert Taylor** highlights the convergence of employment strategies across the EU

# A European strategy emerges

Employment policy is going to be given a higher priority inside the European Union, at least if one of the outcomes of this week's Amsterdam intergovernmental conference is to be believed.

Whether such a commitment goes beyond broad-brushed rhetoric at future job summits where heads of government boast about the wonders of their own labour market models and close their ears to alternative opinions remains doubtful. The experience of the job summits held by the Group of Seven leading industrial nations in Detroit in 1994 and Lille last year does not suggest such gatherings produce any significant results.

An arid argument over who has the most efficient labour market could be avoided if all the EU states including the UK digested an impressive collection of labour market studies of each member state which is being published by the European Commission.

Not all are yet available. We must wait for those from France, Spain and Germany. However, enough bave appeared to suggest the public debate about employment flexibility, stimulated in part by the unalloyed enthusiasm of Mr Tony Blair, the UK prime minister, for the UK approach, needs to recognise all is not what it seems. In fact, mainland European countries are now typified oot only more by their rich diversity than conformity in the way they manage labour markets but also by the emergence of a commonly recognised strategy. It was always simplistic to contrast a lightly regulated neo-liberal UK employment model with a burdensome continental system.

Indeed, a number of examples can be found of employment systems which are a good deal more sensitive to market forces than the UK. Take the Netherlands, for example, a model much admired by Chancellor Helmut Kohl of Germany. The EU report argues: "It has become more easy for employers to get rid of workers and to prolong temporary and flexible contracts. Regulations concerning working hours have become more flexible with shops being allowed to stay open longer. It has become less easy to receive social benefit and many benefits such as that for disability have been severely cut." Sickness protection has been turned over to the private sector. The public employment system is no longer a state service.

Sweden has had active labour market measures such as training and job subsidies for a long time. Welfare to work is nothing new. Now the ruling Social Democrats are intent on reforming employment regulations, trying to make it easier for employers to carry through dismissals although in Sweden's recent recession compulsory redundancies were avoided. A jobless person in Sweden can no longer alternate between unemployment and a labour market scheme indefinitely, following the introduction in January of a three-year maximum limit.

In neighbouring Denmark employmeot strategy is aimed at increasing effective labour supply to employers rather than trying to reduce labour supply to reduce unemployment. This has meant tightening rules covering benefit eligibility and shortening the total benefit period as well as creating individually adapted training and education schemes.

The new Danish emphasis is on increasing employee productivity through lifelong learning schemes. Increasingly, Denmark is moving away from a passive benefit approach to structural unemployment with a concentration on preparing the jobless for work through tougher limits on benefits and more encouragement for employability.

In Italy last September an agreement was signed by the government, employers and trade unions which emphasised the need for employment flexibility which was described as "the main principle of labour market innovation". The new approach is based on deceotralising the bureaucracy, cutting employer taxes, encouraging temporary employment, and more training and education.

> The EU studies ought to correct the widely held view that there are two labour market models competing with one another

In contrast, the report on corporatist Austria acknowledges "employer calls for deregulation have so far not entered the employment policy debates and any greater flexibility which has occurred has been on the basis of plant level agreements".

One of the most successful reductioos in structural unemployment has taken place in Ireland but, as the EU report indicates, this was not primarily due to labour market reforms involving deregulation so much as co-ordinated wage restraint and tax relief although the creation of a new local employment service last year has provided access points to the unemployed through the provision of guidance, training, education and temporary employment programmes.

All of the EU studies published so far suggest substantial labour market reform has been introduced in most member states during the past few years in response to high unemployment. There are important differences between the approaches of member states reflecting national traditions and laws but a broad and common European strategy is also becoming more discernible.

This is focused on the improvement in the employability of the jobless through expanded training and education projects, a modernisation of the employment services with a more active and targetted approach to the needs of the jobless and a tightening in the social benefit rules covering the qualification rights of those without work.

Efforts are also being made to reduce recruitment regulations on employers hiring younger workers, to provide a mix of incentives and subsidies in order to encourage employment, particularly by small and medium-sized enterprises.

The EU studies ought to correct the widely held view that there are two distinctively differeot labour market models – ooe mainland Europe, the other US/UK – competing with one another. Far more convergence is taking place in employment strategies across the EU than many people have yet realised. This does not mean that mainland European countries have embraced the so-called neo-liberal, flexible, deregulated US/UK approach. Most continue to worry about the need for social cohesion and exclusion and the role of public policy in its achievement.

But an important shift has taken place in the thinking of policymakers about what kind of employment strategies should be pursued in EU countries, bringing a more market-sensitive approach to the problem. Whether this will help to provide satisfactory work for the continent's estimated 20m registered jobless is another question.

*The reports are obtainable from the EU Office For Official Publications in Luxembourg, priced Ecu29.50 each.*

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There is a requirement for Risk Management Analysts to join a new unit, established to develop and apply the latest credit risk and portfolio analysis/management techniques. The unit will play an important strategic role and reports to the Director, Risk and Portfolio Management. The appointed candidates will work on a broad range of risk and portfolio management projects, including statistical approaches to credit risk modelling and expected loss calculation, and will be expected to follow the latest theory on risk analysis, quantification and management. There will be good opportunities for career progression as the unit develops.

Appropriate candidates will preferably have a Statistics/Mathematics degree supported by above average analytical and problem solving skills. Previous experience of risk or portfolio management techniques with a respected financial institution will be an advantage. A flexible, inquisitive mind combined with a capacity for grasping new and often complex concepts, good interpersonal and communication skills and a team oriented approach to work are essential prerequisites.

Our client also offers opportunities for high calibre financial/credit analysts to join the Analysis & Research Department to support the continuing growth in corporate and structured finance business. The appointed candidates will be responsible for ensuring that credit decisions are taken on the basis of rigorous financial analysis and for providing the relationship management team with clear and concise explanations of the key risk factors involved.

**If you are interested in pursuing any of the above exciting career opportunities, or wish to have an initial discussion, please write in confidence, with full career and salary details, to Gemma Jenkin, MSL International Limited, 32 Aybrook Street, London W1M 3JL. Please quote ref. 63445.**

MSL

HEAD OFFICE LONDON TEL: 0171 487 5000 11 OFFICES NATIONWIDE

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NETJETS® EUROPE

**NetJets® Fractional Ownership - The most affordable way to own a Business Jet**

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**Your function:**
- Implementation of our sales strategy in the European market (UK and Scandinavia)
- Customer acquisition on top management level
- After sales service

**Your profile:** You are an experienced Sales/Marketing personality with commercial background, excellent verbal and written communication skills and of professional appearance. You are used to dealing with high ranking individual and are in full command of English, preferably German and a Scandinavian language. Age range from 32 to 55 years.

If you are a self-motivated person who is interested in dealing with top-ranked individuals on a day-to-day basis and wants to successfully develop an exceptional idea please send your complete application package to:

**NetJets® Europe, P.O. Box 419, Grundstrasse 12, CH-6343 Rotkreuz, Tel. +41 41 792 08 10, Fax +41 41 792 08 11. Attn. Dr. D. Lütolf**

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# BANK HANDLOWY INTERNATIONAL S.A.

**CAREER OPPORTUNITY**

**CREDIT OFFICER** | **LUXEMBOURG**

Bank Handlowy International S.A. Luxembourg a subsidiary of leading Polish banks with growing international operations is seeking a motivated credit officer for its international corporate finance business.

**Requirements:**
- fluency in English is essential;
- formal credit training in a commercial bank;
- minimum of 5 years experience in credit analysis and commercial lending;
- experience in structuring, underwriting and managing syndicated loans;
- knowledge of Polish is a plus.

**Competitive salary commensurate with experience**

**Qualified applicants should send resume and salary expectation to the following address:**

**Bank Handlowy International S.A. Luxembourg
7, rue du St. Esprit
L-1475 Luxembourg**

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# Director

## Structured Capital Products

### Global Investment Bank

**Excellent Banking Package** | **City**

THE COMPANY

- Major UK based international banking group. Stable, profitable, prestigious organisation.
- Success story within investment banking. Headquarters in London with office network in over 20 countries.
- Highly successful Structured Capital Products division seeks to expand into the European market by marketing to US firms operating in Europe.

THE POSITION

- Develop financing and tax products for US companies operating in Europe, and European clients operating in the US. Drive product development across a range of financial instruments, including debt and equity products.
- Market generic products and provide solution-based approach for key clients.

QUALIFICATIONS

- Seasoned US tax professional with four years' experience in US domestic tax financing and cross border market. Background as tax attorney with major New York law firm essential.
- Minimum of three years within US commercial banking environment. Exposure to stock markets critical. In-depth knowledge of financial instruments and derivatives.
- Strong numeric and economic ability, probably a mathematics graduate. PhD in economics essential.

**Please send full cv, stating salary, ref FS706A2, to NBS, 10 Arthur Street, London EC4R 9AY
Fax 0171 623 1525 Tel 0171 623 1520**

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# Commercial Banking Treasury Manager

**City** **£ Competitive**

Our client is one of the largest commercial Regional Banks in Africa – a successful business partnership between the country's Government and the private sector. The London branch of the bank was opened in 1974 with the aim of augmenting and consolidating the Bank's active role in the global financial markets. The bank is now seeking to recruit a Manager for investment and marketing.

Responsibilities include:

- Treasury and money market dealing.
- Overseeing trade finance.
- Overseeing customer services.

Ideal candidate will:

- Have had treasury trading experience.
- Have an understanding of trade finance.
- Have had managerial experience.

Of particular interest will be candidates with over 25 years experience in a similar type of institution.

Please reply in confidence to Russell Barton or Craig Michillis at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LN. Telephone 0171 269 2330. Fax 0171 405 9649. Please quote reference 351551.

MP
Michael Page City
International Recruitment Consultants
London Paris Frankfurt Madrid Hong Kong Singapore Sydney

# Fixed Income Compliance

Our client is a leading US investment bank with a first class reputation for innovation and technical excellence and a strong global presence. It now seeks a confident and proactive individual to join its Fixed Income Compliance team.

The successful candidate will primarily be responsible for providing expert advice on issues arising in the fixed income, commodities and foreign exchange divisions of the business. The candidate will advise on a range of legal and compliance issues, review and upgrade systems and procedures, provide or arrange for training and maintain strong relationships with the regulatory authorities.

This is a key appointment requiring both strong commercial acumen and a positive, direct approach to the business.

Candidates must be of graduate calibre, preferably with a professional qualification and should have several years experience in a financial environment with a leading bank, securities house, regulator or accountancy practice. Exposure to fixed income, commodities and foreign exchange is preferred as is a detailed knowledge of SFA regulations. Strong communication and relationship building skills, excellent judgement, maturity and diplomacy are imperative.

This is an excellent opportunity for a forward thinking individual attracted to playing an integral role in a well established and respected Compliance Department. Interested applicants should contact Sue Lintern at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LN, quoting reference 335342. Alternatively, telephone her on 0171 269 2308 for an initial discussion.

MP
Michael Page City
International Recruitment Consultants
London Paris Frankfurt Madrid Hong Kong Singapore Sydney

# *Outstanding Opportunities For Dynamic Individuals*

Our client is a major international European Investment Bank with strong capital markets, corporate banking and asset and liability management capabilities in almost 60 countries worldwide. Due to continued strategic growth, two positions have arisen within their Global and Local Business Development Groups. These groups work closely with Technical and Business Managers and are responsible for identifying infrastructure service issues and then providing high quality solutions.

## Global Operations Risk Control

A newly created team assigned a growing number of high profile and high priority projects related to the control of Operational Risk on a global basis.

The remit for this individual will be to:

- Ensure that a robust control environment exists to manage operational risk.
- Review operational processes and improve the performance and quality of operations.
- Report on the effects of market changes and the operational risk implications to the business.

Successful candidates will:

- Be currently working for a large consulting firm in the financial services division, or within a similar project team in another financial institution.
- Have excellent written, presentation and interpersonal skills.
- Demonstrate strong systems skills.
- Clear ability to understand new business developments.
- Project Management

## Local Organisation

Increased business activity within the banks capital markets division has created the need for a high calibre professional to work on projects encompassing all aspects of operations.

The brief for the successful candidate will be to:

- Recommend and implement improvements to systems and business processes including trade support, settlements, accounting and controls.
- Assess and manage the impact of changes to the business.

The successful candidate will have:

- A minimum of five years experience within a financial institution or consulting firm.
- An excellent knowledge of financial products.
- A good understanding of the compliance, risk and legal issues surrounding operations.
- Strong technical and analytical skills.
- Excellent written, presentation and interpersonal skills.
- Proven project management skills.
- Good IT skills.

For each position, you must exhibit skills which include self-motivation, commitment and the ability to develop a role quickly. In return, you will be offered excellent career opportunities and your ability to progress within the organisation will only be limited by your own ability and ambition. Interested applicants should contact Craig Michilis at Michael Page City on 0171 269 2330. Alternatively, send a full CV to him at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LN. Fax 0171 405 9649

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PAN-ARAB FINANCIAL INSTITUTION

# PORTFOLIO MANAGER, EQUITIES

£ Highly attractive tax free compensation + generous expatriate benefits Based MIDDLE EAST

Our client is one of the most prominent and highly regarded pan-Arab Financial Institutions. With assets well in excess of US$1bn, it is a profitable and extremely well run organisation. Within its highly successful Treasury and Capital Markets Group there is currently a requirement for a highly talented individual to be responsible for a substantial equity-based portfolio.

### The Position

- Responsible for equity portfolio management/trading.
- Play a major role and be able to influence overall investment activities of the group.
- Responsible for formulating and implementing strategy and contributing significantly to the overall asset allocation process.
- The manager will maintain a conservative risk appetite, in accordance with our client's culture.

### The Requirements

- At least 10 years' equity investment management experience. Particular knowledge and expertise in the US markets is essential.
- Overall understanding of international markets, will be seen to be highly desirable.
- University educated, likely to be mid 30s to mid 40s.
- A team player with a high level of familiarity and mastery of PCs and Portfolio Software.

Please send your CV with current salary details to: Mr Metin Mitchell, K/F Selection, 252 Regent Street, London W1R 6HL, quoting ref: 90279/A. Alternatively send by fax on 0171-312 3380 or by e-mail to cv@kfselection.com Internet Home Page: http://www.kfselection.com

K/F SELECTION
A DIVISION OF KORN/FERRY INTERNATIONAL

# ASSOCIATE DIRECTOR – TRAINING

**MAJOR GLOBAL INVESTMENT BANK**

**CITY** **ATTRACTIVE INVESTMENT BANKING PACKAGE**

- New role with a major player created at a critical time where change and business regeneration are high business priorities. Upbeat business intent on enhancing its already strong regional presence and creating truly world-class global capability through organic growth, acquisitions and strategic alliances.
- Key member of a recently formed team of investment banking and HR professionals, intent on establishing a world-class development culture.
- Business driven brief providing advice and guidance, and setting global standards in product and technical training, IT applications and personal skills development. Considerable interaction with line management encouraging ownership of the training and development agenda.
- Graduate with an investment banking background gained within a top global firm. Must be truly business orientated and international in outlook.
- Able to operate effectively within a fast-moving, dynamic and non-homogeneous cultural environment. Team player, hungry for success and excited by challenge of building global capability. Adaptable and flexible, but with a firm personal style.
- Resourceful, energetic achiever. Persuasive and innovative, able to sell ideas. Sound project manager. Proven relationship manager with strong but subtle influencing style, definitely not an administrator or 'Ivory Tower' thinker.

Please apply in writing quoting reference 1399
with full career and salary details to:
Phil Bainbridge
Whitehead Selection
11 Hill Street, London W1X 8BB
Tel: 0171 290 2084
http://www.gbnet.co.uk/whitehead

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# City Professional

**Excellent Package inc. Bonus** **West End**

**Outstanding opportunity for talented individual to run major international relationships. You will provide critical communication advice to the most senior clients in industry, finance and professional firms.**

### THE COMPANY

- Small, dynamic, privately-owned business with 25 year history. Growing internationally in response to market demand.
- Long-established relationships with blue-chip clients in the US, Europe and Far East. Highly regarded, well-respected team.

### THE POSITION

- Advise Chairmen, Chief Executives and senior professionals to enhance communication performance.
- Develop, maintain and build relationships at the highest level. Identify new opportunities for growth.
- Advise top-level professionals on winning competitive tenders.
- Highly competitive package including potential for equity participation.

### QUALIFICATIONS

- Tenacious, success-driven City performer with thorough understanding of financial products. Minimum two years' experience. Background in corporate finance, sales, relationship management, management consultancy or the professions.
- First-class communication skills with proven ability to develop business. Stature and confidence to liaise with senior international clients.
- Energetic self-starter. Creative thinker. Languages useful, especially German, Spanish, Italian or French.

**Please send full cv, stating salary, ref FS70308, to NBS, 10 Arthur Street, London EC4R 9AY**
**Fax 0171 623 1525 Tel 0171 623 1520**

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# CORPORATE M&A/STRATEGY

## DIRECT REPORT TO FTSE 100 CHIEF EXECUTIVE

This is a quite outstanding opportunity for an exceptionally bright and talented individual to make a difference inside one of British industry's leading companies. The Group is international in focus and operates at the cutting edge of a highly dynamic set of industries, it is delivering exceptional growth and is active in mergers and acquisitions.

The primary functions of the role are to provide strategic decisioo making support to the Chief Executive and to manage corporate finance transactions at group level. The work will be broad in scope and will require outstanding relationship building within the main board and the operating divisions. There is strong precedent that successful holders of this role progress into significant line management.

You will probably be in yoo late-20's to mid-30's, possess a first class academic background and will have exposure to one or more of corporate finance, equity research, strategic consulting, or the media/information industries: most importantly you will have some experience of financial transactions. Highly analytical and commercial in your approach, you will require a sound knowledge and understanding of analytical tools and business modelling. You will be a powerful communicator with the confidence, determination, creativity and presence to excel in this high profile position.

Please reply in the first instance to Mark Pilbrow at Knight Wendling Executive Search Limited, 140 Park Lane, London W1Y 3AA. Fax no: 0171 355 1521.

KW SELECTION
A Knight Wendling Company

# Worldwide Opportunities and Aggressive Growth Potential in a Dynamic Industry

The Cargill Energy Division is seeking experienced Senior Level Energy Traders and Business Development professionals to work in its newly restructured Energy business. Opportunities exist in our hub offices located in Geneva, Switzerland; Minneapolis, MN, USA; and Singapore.

Cargill, Inc. is a diversified multinational company. One of the world's largest privately held companies, we employ approximately 77,000 people in over 70 countries. The Cargill Energy Division is a diverse worldwide trading business which leverages strategic assets and wide ranging risk management practices.

## Senior Petroleum/Energy Traders

(Job#FM98-500)

We are seeking proven traders and risk managers who are looking to join a company with an aggressive growth strategy in a dynamic industry.

Candidates should be customer focused with a thorough understanding of trading, mainly relative value, managing risk exposure and able to understand more complex financial, option, as well as physical shipping and execution.

## Business Development Manager

(Job#FM98-501)

We are seeking proven professionals experienced in petroleum, natural gas and/or electric industries, management consulting, or investment banking.

Responsibilities will include targeting efforts for developing electric, natural gas and/or petroleum business leads; working with trading teams to develop longer term transaction capabilities; coordination of opportunities in regional locations; and overseeing and directing the Cargill Energy Division's strategic plan.

Qualified candidates for both positions should possess strong leadership and communication skills with the ability to create and work in a team environment.

We are looking for professionals with a minimum of 6 years experience in the energy industry. An MBA or MIM is strongly preferred but not required. You must be creative, entrepreneurial, and a team player. Fluency in other languages is a plus.

To apply, please send a detailed resume/CV which must reference **job # of interest** and include a summary of experiences, geographic/location preferences, language skills, and salary history. No phone calls please. Cargill Energy Division (Financial Markets Group), P.O. Box 5697, Minneapolis, MN 55440-5697, Fax (612) 984-3921.

*Cargill is an Equal Opportunity Employer.*

CARGILL

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Toby Finden-Crofts on +44 171 873 3456

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# Corporate Finance

## *Italian Team*

**London** **£ Excellent**

Our client is a premier integrated investment bank. Acting internationally as intermediary and advisor to major corporates and governments, it has the global reach and distribution power to meet the needs of issuers and investors worldwide, and has a strong reputation for innovation and creativity. With a track record of securing high profile advisory mandates across a variety of industry sectors, this highly visible group offers a non-hierarchical working environment with a strong team spirit and an extremely focused approach.

## Manager

This role will focus very much on origination and client development, in addition to having full responsibility for execution and managing team resources. A minimum of three years advisory experience within an established bank is required, as well as the initiative, drive and ambition to succeed in a highly competitive environment.

## Executive

The role offers an active involvement in execution and marketing, ensuring a high level of client contact. Candidates will possess strong technical and analytical skills backed up by a keen intellect. These skills may have been acquired through one to two years advisory experience in a well respected international bank, or a minimum of two years spent in a leading audit firm or consultancy.

This is an excellent opportunity for confident and high calibre candidates who are fluent in both Italian and English. Interested candidates should contact Jayne Philpott or Annabel Haywood on 0171 269 2298 or write to them enclosing a CV to Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LN. Fax number 0171 405 9649. Please quote ref 351139.

MP

Michael Page City

International Recruitment Consultants

London Paris Frankfurt Madrid Hong Kong Singapore Sydney

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# EMERGING MARKETS TRADERS

Cargill is a diversified multinational company. One of the world's largest privately-held companies, we employ approximately 73,000 people in 66 countries. Cargill has offices throughout Western and Central Europe, the Former Soviet Union, and Africa. Our European headquarters are located in Cobham, Surrey, U.K.

CARGILL

The Financial Markets Group (FMG) focuses on proprietary trading. With more than 20 offices worldwide, we have built a reputation for innovation, success and profitability. FMG is engaged in various proprietary financial trading and investment activities worldwide.

We have opportunities for ambitious traders capable of longer term progression to management.

You should have a university degree and more than two years work experience in emerging markets. Entrepreneurial flair, relevant language skills and flexibility are necessary qualities. Geographical mobility is expected.

OPPORTUNITIES EXIST, INITIALLY BASED IN THE UK, WITH EVENTUAL RELOCATION TO:

***Egypt, Kazakhstan, Kenya, Morocco, Poland, Romania, Russia, South Africa, Switzerland, Turkey, Ukraine and Uzbekistan.***

FOR THE FOLLOWING ACTIVITIES:

***Derivatives, Equities, Fixed Income, Foreign Exchange, Leasing, Money Markets, Real Estate, Structured Finance, and Trade Finance.***

We are also seeking financial controllers for the above locations.

Postal applications only, please send your CV to: Farn Williams, Vineyard House, 13-15 Vine Hill, London EC1R 5FW. Please quote Ref: FT0791

FARN WILLIAMS FINANCIAL & EXECUTIVE SEARCH Web site http://www.farnwilliams.co.uk

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## TRADING POSITIONS CITY

A leading international bank is seeking to recruit a number of traders with a minimum of 2 years' directly related experience in any one of the following markets: Hungary, Poland, Czechoslovakia, Turkey or Russia, to join its Proprietary Trading Desk in London. The instruments traded will be 'locally' traded fixed income instruments, foreign exchange and derivatives.

Applications are invited from the highest calibre economics, maths or finance graduates with knowledge of the domestic politics, economics and market of one of the above countries. Fluency in the local language is essential.

A very attractive package is offered to the right individuals.

Please reply to Box No. A5462, The Financial Times, 1 Southwark Bridge, London SE1 9HZ enclosing CV and covering letter.

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# FX Strategist/Economist

**London** **Competitive package**

As a major division of one of the City's leading financial institutions, our client is a global participant in foreign exchange, money markets and capital markets. They are currently looking to recruit a global FX strategist to work in London.

Reporting to the head of currency research, this position will involve working as part of a small team looking at a range of both developed and emerging markets, with main responsibilities for developed economies. Research will relate directly to the FX markets, advising and forecasting market movements and assisting in the formation of trading strategies. Written output will include both contributing to and taking some responsibility for a range of documents. The strategist will have a high profile both internally and externally, talking to and advising proprietary traders and sales teams both in London and internationally and carrying out client presentations locally and overseas. The position will also include developing and maintaining a media profile.

The ideal candidate will have a good degree in economics and approximately 4 years' relevant experience as an international market economist or strategist. A detailed knowledge of FX, interest rate or money markets is essential. The ability to work in a high pressure environment and to provide timely, value-added research is also important. First class presentation and written communication skills are expected and the strategist must be able to work well both as part of a team and as an individual. Computer literacy and some experience of econometrics would be appreciated.

A highly competitive package is offered which will reflect the demands of this position. Please contact Clare Kearns or Katie Etheridge who will treat all enquiries in confidence.

ASL Search and Selection

City address: 2 London Wall Buildings, London EC2M 5PP

Telephone: 44 (0)1732 741855 Facsimile: 44 (0)1732 741499

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## CREDIT DERIVATIVES TRADER

Major investment bank requires a trader/structurer responsible for developing non emerging market credit derivatives business.

The successful candidate will have:

- at least five years' relevant and senior experience with high profile organisations
- an MBA in addition to a first degree in a relevant subject
- a high level of proficiency in Microsoft Excel and Word

Please reply to the Box No. A5461, The Financial Times, 1 Southwark Bridge, London SE1 9HZ enclosing CV and covering letter.

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# Asset Securitisation Structurers

**£Highly Competitive base & bonus** **London**

1996 was a record year for issuance of European Securitisation transactions. Our client, a major US Investment Bank, is experiencing an upsurge in activity across a variety of different asset types. This has given rise to new opportunities for highly qualified, ambitious professionals who will contribute towards the development of some of the most innovative securitisations in Europe.

### The Role

- To structure and transact deals across a variety of asset classes and jurisdictions.
- To assist in the construction and analysis of complex cash flow models.
- To maintain existing client relationships and maximise the potential for future business development.

### The Candidate

- 1-3 years' relevant post graduate experience in Structured Finance or ABS/MBS transactions.
- Strong credit background with a preferred degree in either Mathematics or Economics.
- Motivated team player with a mature attitude, ambitious self starter, with first class communication skills.

Candidates who have fluency in at least one European language and a strong desire for career progression, should apply in the first instance by sending a CV, Ref 63208 to: Devonshire Executive, 7 Birchin Lane, London EC3V 9BY. Tel: 0171 626 2150. Fax: 0171 626 2092. e-mail: exec@devonshire.co.uk Internet: www.devonshire.co.uk.

Devonshire *executive*

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# HEAD OF FUND/SETTLEMENT DEPARTMENT

**Excellent Package** **LUXEMBOURG**

*Banque de Gestion Edmond de Rothschild Luxembourg* is one of the leading banks in Luxembourg, in terms of growth, activity, size of funds and quality of service provided to private banking clients. The Bank has a strong performance orientation towards clients, which has led to the expansion of the Fund/Settlement Department, including the appointment of the new Business Head.

### The Position

- A key position in the strategic development of the Bank. Report to the Luxembourg Board and work closely with operational departments to provide top quality service in custody, with commitment to continuous improvement in production and control procedures.
- Responsibility for the accounting and settlement of fund managers' transactions. Close contact with brokers and sub-custodians.
- Lead a team of 15 professionals, focusing on specific client groups/geographic areas.

### The Requirements

- First-class banking professional with 10 years' experience with a major banking group and a minimum of 5 years' working knowledge of the fund business, particularly back-office.
- Excellent leadership and communication skills, with high standards and the determination to succeed. Pro-active handling of all fund responsibilities.
- Preferably a business degree. Fluent English, with at least conversational French. Aged late thirties. Willing to relocate to Luxembourg.

Please send your CV with a covering letter, in the strictest confidence, to Susanne Jensen, K/F Selection, 19 Côte d'Eich, L - 1450 Luxembourg, quoting ref: FT/HF. Alternatively send by fax on +352 46 43 45. Internet Home Page: http://www.kfselection.com

K/F SELECTION

A DIVISION OF KORN/FERRY INTERNATIONAL

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**Appointments Advertising**

appears in the UK edition every Monday, Wednesday & Thursday and in the International edition every Friday.

For further information please contact:

Toby Finden-Crofts

+44 0171 873 4027

# RBS Mezzanine Ltd

## Manager/ Associate Director — London — Acquisitions/ MBO's & MBI's

A wholly owned subsidiary of the Royal Bank of Scotland, RBS Mezzanine Ltd is a new venture which has initial funding of £150 million. It will provide Mezzanine and other junior debt products to management buyouts, buy-ins and leveraged acquisitions. The business will focus on deals with a value in excess of £20 million, in the UK and Continental Europe. A high profile management team and an entrepreneurial, open culture have combined to create an entity with excellent growth prospects.

There is now an opportunity for a suitably qualified and results orientated individual to join the team. Reporting to a senior level, the role involves working closely with venture capital groups, institutions and management teams, with a strong emphasis on the development of lasting business relationships. Specifically, this will encompass the proactive development of deal activity, due diligence on potential transactions, and the execution of approved investments. In addition, the job holder will have personal responsibility for evaluating investment performance. In all respects this will be a highly visible role.

The ideal candidate will be a graduate and preferably an ACA/MBA who is employed in either a leading venture capital, mezzanine finance or acquisition finance house. Alternatively, the individual may currently be working at manager level in the corporate finance department of a 'Big 6' firm of Chartered Accountants or in industry. The successful candidate will be highly numerate, have exceptional interpersonal skills and the energy to have an immediate impact in the market place.

The rewards include a competitive basic salary, company car, performance related bonus, banking benefits, and the opportunity to progress rapidly in this highly meritocratic environment.

Interested applicants should write in the strictest confidence to Brian Hamill or David Craig, at Walker Hamill Executive Selection, quoting reference BH 3138.

The Royal Bank of Scotland

WALKER HAMILL

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# Controller

Rattaché au Responsable du Contrôle financier de Paris, vous êtes responsable des relations et reporting à nos sièges de Londres et de New York, à la Commission Bancaire et aux différentes autorités de tutelle.

Vous clôturez les comptes, établissez bilans et comptes de résultats, validez la revue des comptes et rapprochements, assurez la préparation et le suivi des déclarations fiscales.

Agé d'environ 30 ans, de formation supérieure Bac + 4 / 5 (Universitaire ou Ecole Supérieure de Commerce), vous possédez également un diplôme comptable.

Votre expérience significative dans un cabinet d'audit et/ou une institution financière, vous a donné l'occasion de traiter des missions internationales. Bilingue anglais/français, votre maîtrise de la comptabilité bancaire, des relations avec les instances de régulation française et votre bonne connaissance de la fiscalité sont des atouts indispensables pour réussir dans cette fonction.

Ce poste offre d'excellentes perspectives d'évolution en France et à l'international pour des candidats de valeur.

Merci d'adresser votre dossier de candidature (lettre manuscrite, CV, photo et prétentions) sous référence SAM354FT à Sabine MARIANI - NICHOLSON INTERNATIONAL Search & Selection Consultants - 14 rue Pergolèse 75116 PARIS. Fax : 01 45 00 03 20

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APPOINTMENTS WANTED

# DO YOU WANT

a robust, communicative, proactive, commercially astute, lateral thinker with flair, persuasive, committed, well-rounded, skilled conciliator & consensus builder, manager of rapid change, with credibility, presence, top flight credentials, board room experience, interfaces with high & low level staff as a Global Finance or Audit Manager (46) from his Zurich base?

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# Equity Derivatives Middle Office

## An outstanding opportunity to join one of the world's leading investment banks - City

J.P. Morgan is one of the world's premier international banks. We have a reputation for excellence throughout the industry and are expanding rapidly in the area of Equity Derivatives.

Our business-aligned middle office is key to the growth and success of this business. We are looking to further strengthen our expertise by appointing exceptional individuals into the following areas:

- Equity Financing
- Structured Product Support
- Swaps P&L/Risk Analysis
- Special Projects

Responsibilities within these groups are varied and include p&l analysis, risk management, trade capture, funding, business analysis, systems development and trade/client support.

We are interested in meeting with outstanding candidates, likely to possess many of the following:

- 18 months' - 5 years' experience at a leading bank
- strong derivative product knowledge
- good systems and technical skills
- management experience in the middle office

*For further information on these positions, please contact **Jonathan Robin**, our retained consultant on 0171 405 6062 (0468 123 516 evening/weekend) or send your CV to him at QD Finance, 37-41 Bedford Row, London WC1R 4JH. Confidential fax 0171 831 6394. All direct or third party applications will be forwarded to QD Finance.*

**JPMorgan**

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# Fund Managers Asian Equities

**exceptional package – attractive basic salary + substantial performance related bonus + usual financial service benefits**

NPI is a major pensions and retirement products provider with £10bn of assets under management. We are strongly committed to being an independent mutual and have undertaken a substantial strengthening of our investment arm with the aim of creating a first class investment house. As part of this strategy, we are now seeking at our City Office two additional fund managers to join the Far East team.

## Japanese Portfolio Manager

## Asia Pacific Portfolio Manager

Reporting to the Head of Asian Equities these positions will involve accountability for specific markets. The ideal candidates will have a good degree, have developed an independent disciplined approach and be able to demonstrate a good performance record over a 3 to 5 year period.

To apply send your CV to:
Tricia Catford,
Human Resources,
NPI, Grovehill House,
Grovehill Road,
Tunbridge Wells,
Kent TN2 1SB

NPI

PROVIDING PENSIONS SINCE 1835

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**Appointments Advertising**

appears in the UK edition every Monday, Wednesday & Thursday and in the International edition every Friday.

For further information please contact:
Toby Finden-Crofts
+44 0171 873 4027

Financial Times

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# LAGOS, NIGERIA

## EXECUTIVE FOCUS

**The Company**

The company will offer smartcard services in Nigeria, and market its own brand. The company is poised to set national standards for electronic cards.

### a. CHIEF EXECUTIVE

The Job

- The Chief Executive will provide leadership for the overall operations. His responsibility includes:
- achieving the organisation's objectives
- defining product specifications, development and implementation programs meeting financial goals.
- recommending and implementing financial policies.

**THE PERSON**

We desire candidates with:

- chip card payment system expertise
- strong team leadership and motivational abilities
- experience in professional banking operations including treasury
- strategic management expertise and experience
- significant experience in information technology
- energy, ethics and enthusiasm
- strong communication and interpersonal skills

### b. HEAD OF SETTLEMENT PROCESS AND TECHNOLOGY

The Job

- implementing and updating the settlement process
- data management
- development of scenarios and simulations to support pricing decisions
- vetting of equipment in the system
- priming of cards
- computer services and maintenance
- maintaining communication protocols

**THE PERSON**

To be effective in this position, candidates will have:

- a thorough understanding of the IT functions and operations with extensive knowledge of network protocols
- chip card payment system experience
- good knowledge of banking operations
- strong computing and quantitative skills
- a good team player and motivator and
- computer hardware and software procurement experience.

**How to apply**

Potential candidates will have advanced degrees, in related disciplines with a minimum of seven years practical experience in similar positions and demonstrated track record of the field into which they are applying. For the Chief Executive position, a minimum of teo years experience, at least three of which must be in a general management position is required.

The successful candidates will be rewarded with comprehensive benefits package that includes basic salary commensurate with experience and qualifications, performance related bonus, fully expensed company car, contributory pension and vacation benefits.

These are demanding, stimulating and challenging management opportunities to lead a nationally-focused organisation. Applications should be made no later than three weeks from the date of publication by forwarding a comprehensive curriculum vitae including referees and present compensation to: Box A5313, Financial Times, One Southwark Bridge, London SE1 9HL

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# FINANCIAL ANALYST

## Equity Research – Russian Markets

Attractive package · London

A challenging role has arisen to join the London Equity Research Team at a leading US Investment House. The remit will include coverage of principally Russian and other Eastern European Markets.

The role will embrace writing research documents, financial analysis of companies (to include those in heavy industries), presentation of investment ideas to the European Equity Sales Force and close liaison with counterparts in the Investment Banking Division.

The ideal candidate will meet the following criteria:

- A superlative academic background in finance, ideally with a Masters in finance or postgraduate business degree.
- At least four years' of financial analytical experience, principally within Russia/Eastern Europe within Equity Research.
- Experience of heavy industries analysis.
- Fluent Russian and English, both written and spoken.
- Excellent report writing and presentation skills.

Interested candidates should send a CV and covering letter to: The Response Handling Team, Confidential Reply Handling Service, Ref. 1002, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

Closing date: 14th July, 1997.

Applications will only be sent to this client, but please indicate any organisation to which your details should not be forwarded.

aia

HR MARKETING & COMMUNICATIONS

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# INSTITUTIONAL FIXED INCOME SALES

Fixed Income relative value sales desk seeks qualified individuals to join sales effort focusing on global sovereign debt & derivative securities such as listed & OTC options, swaps, swaptions, structured products, etc. This group is part of a major international bank with AA credit. All of Europe, Middle and Far East open for coverage.

Please fax your resume to:
London office 44 171 638-3150.
ATTN: European Sales

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# BUNTING WARBURG INC.

## INSTITUTIONAL EQUITY SALES - PARIS

Bunting Warburg is looking for an exceptional individual who wishes to translate their business development skills into a successful career selling Canadian equities to European clients from our Paris office.

The candidate will join our existing sales team with a view to expanding our current client relationship base. In addition to being fully bilingual (a working knowledge of German would also be considered an asset), the ideal candidate will already have an excellent track record of success, a high level of financial acumen, well developed communication skills, a university degree and a very strong will to succeed.

Bunting Warburg Inc. is a leading internationally affiliated brokerage firm based in Toronto and is jointly owned by its employees and Swiss Bank Corporation. We have a blue chip domestic and international client list and enjoy strong positions in the markets we serve: equity research, institutional sales and trading, equity underwriting, mergers and acquisitions and other corporate advisory work. We offer an entrepreneurial culture which strongly rewards individual achievement within a team environment.

**Qualified individuals should apply in confidence to:**

Director of Human Resources
Bunting Warburg Inc.
Bacot - Allain
65 rue de Courcelles
Paris 75008

We appreciate the interest of all applicants; however, only those selected for an interview will be contacted.

ACCOUNTANCY APPOINTMENTS

## European Strategic Analysts

**Berkshire, UK**

# The top performing company on the Dow Jones Index

You appreciate figures. So you'll recognise the value of ours: a 47% annual revenue growth rate; 10% growth in net income for three years running; and a turnover of $7.8 billion in just 13 years.

There's more. Here in Europe, sales of our PCs and servers now contribute 28% to group revenues. Indeed our products and our direct-sales strategy are making us one of the world's largest computer systems manufacturers - and one of its fastest growing.

So you'll understand why we occupy the number one position in share price growth on the U.S. stock exchange.

As Finance is critical in managing our strategy and direction, these roles call for people who want more responsibility, international scope and the chance to influence decisions and effect change. A graduate or MBA who is fluent in English and at least one other European language, you'll have 2-7 years' international finance experience plus the energy, flexibility and resilience to adapt to a rapidly changing environment.

Working in one of a number of small, highly focused commercial teams which manage and drive the P&L return for our product lines, you'll concentrate on the analysis and commentary of results rather than the production of data.

In return, you'll enjoy an excellent salary and benefits package which reflects experience and includes a car allowance plus relocation to the UK.

Please post or fax your CV, which must be in English, quoting ref: FT0110, to Jane Stone or Vikki Sly at FSS International, Charlotte House, 14 Windmill Street, London W1P 2DY, UK. Fax: 44 171 813 9479. Telephone: 44 171 419 0261/0249. Email: jfs@fss.co.uk

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# FINANCE MANAGER

FMCG

Dumfries

To £34,000 Car, Benefits

Branded, independent business unit (c£20 million turnover) within a profitable market leading division of substantial highly regarded UK Plc seeks talented young finance professional to support and complement the local executive team. Key role in management focused on maximising profitability in a highly competitive fast-moving consumer goods environment.

**The Role**

● Report to General Manager with responsibility for providing accurate, timely financial reports and controls and efficient planning mechanisms to maximise business performance. ● Complete involvement in the development of strategic and operational development of the business. ● Enhance and develop planning mechanisms and performance criteria.

**The Qualifications**

● Qualified Accountant of graduate calibre; unlikely to be aged under 28 and with obvious potential to progress beyond this role. ● Extensive awareness of systems applications and their contribution to profitability within sophisticated manufacturing business with well developed controls. ● Enthusiastic, pro-active and participative. Desire to be involved in all aspects of the business.

*Please reply in writing to BHM Nevard Roland, 4th Floor, EMCO House, 5/7 New York Road, Leeds LS2 7PL enclosing a full Curriculum Vitae with current salary details quoting Reference 10152. Telephone 0113 246 7033.*

BHM
**Nevard Roland**
BRISTOL ■ LONDON ■ LEEDS

# Is your career moving fast enough?

## Ground-breaking performance demands exceptional finance talent

General Electric is one of the world's most successful, most profitable and fastest-growing companies. In 1996, revenues were up 13% to $79 billion and the company maintained its 21-year unbroken record of dividend increases. GE's business interests are diverse and its European performance is ground-breaking. Through direct investment, strategic alliances, joint ventures and partnerships, European revenues have grown 42% per year from 1994-1996 and profits have almost tripled, creating an $18 billion "European GE". At the leading edge of European technology development, rapid growth continues organically and through acquisitions.

This dynamic growth fuels a need for a number of Business Analysts to join GE businesses in locations throughout Europe. Assisting Vice-Presidents or Chief Financial Officers, the roles will involve exposure to all areas of business finance. Projects will vary depending on the key issues facing particular businesses, which range from medical equipment to plastics, financial services to turbines. Analysts work cross-functionally on a variety of challenging financial assignments, for example looking at quality and marketing issues, taxation, analysis of business flows and working capital. Supporting GE's acquisitive process, Analysts are also involved in due diligence and integration reviews.

Central to GE's financial strength, these roles provide an opportunity to make a rapid impact within a GE business, offering a career route for talented candidates with the potential and confidence in their ability to become a senior finance officer within GE. A professional finance qualification, MBA or relevant business degree is essential. Due to the diversity of professional training across Europe and the number of positions available, candidates should have between 2-7 years' experience. Equally important are a clear record of academic and career achievement and high levels of integrity, ambition and energy.

Fluency in English and at least one other European language is essential, together with mobility and the enthusiasm to pursue an international career with GE. The company's growth and its exceptional commitment to training and development provide unrivalled opportunities and rewards throughout Europe.

To apply, please fax or post your CV quoting ref: 220 giving details of current salary package and availability for interviews, which will be held throughout Europe, to our retained consultants Alderwick Consulting Ltd, 95 Fetter Lane, London EC4A 1EP. Fax (+44) 171 242 3560. For more information, please call (+44) 171 242 9191 (weekdays) or (+44) 181 467 1408 or (+44) 966 119056 (evenings and weekends). Any CV sent direct to GE will be forwarded to Alderwick Consulting Ltd.

***GE is an equal opportunity employer.***

**Not connected with the English company of a similar name.*

USA*

**GE**

Schlumberger

## Project Controllers

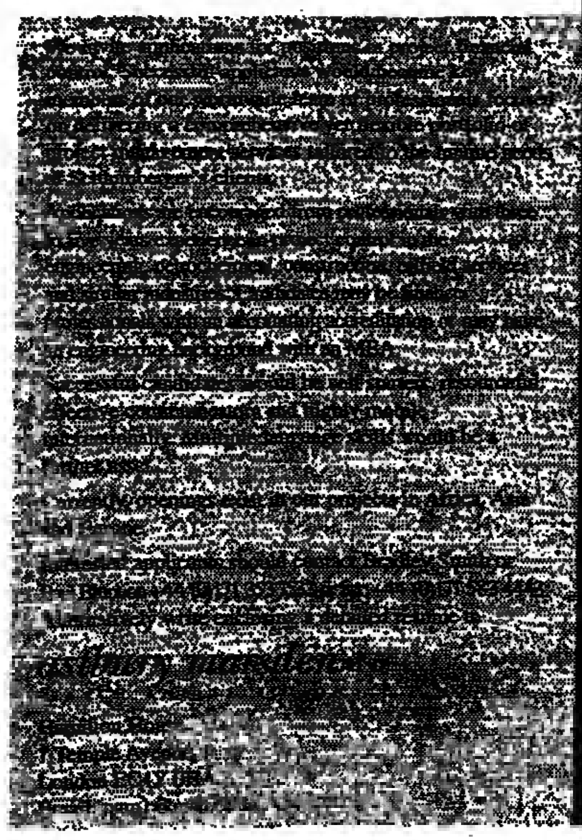
*International Opportunities*

Qualified Accountants

MBAs

Internationally Mobile

Experience in Engineering, Construction, Petrochemical, Oilfield Services and similar industries



*Schlumberger*

# EUROPEAN AUDITOR

## Exciting Pan-European Opportunity for German Speaker

**Watford**

**Competitive Salary + Benefits**

With operations in 40 countries spanning Europe, America and Asia this manufacturing group has established market leadership in its core business areas. They are pioneers in their field. The development of leading edge technologies combined with focused, innovative business practices has contributed to dramatic organic and acquisitive growth.

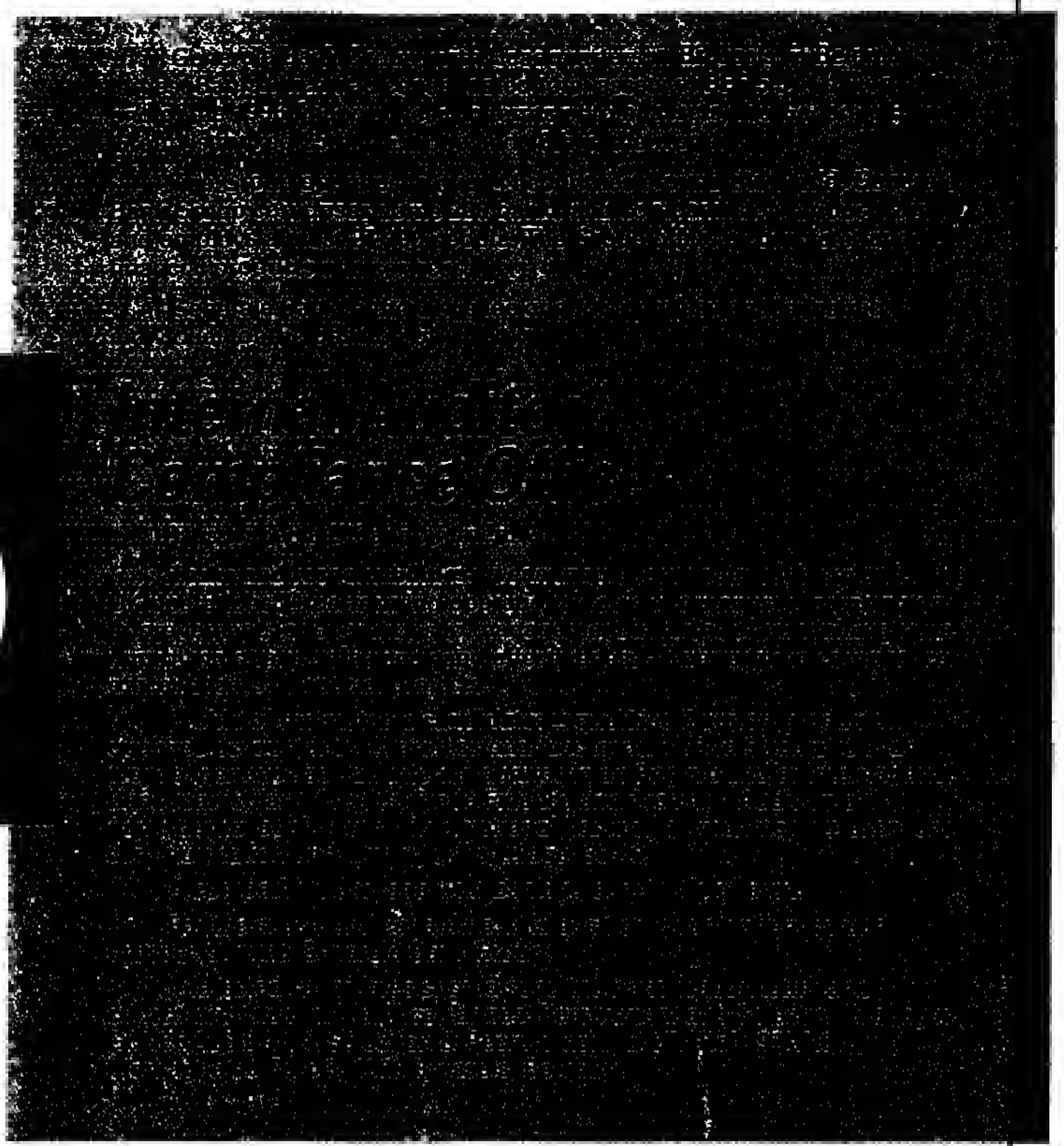
Based near London, the European audit team is young, multi-cultural and commercial. As a key member of this team and working closely with all levels of management, you will review operational and financial aspects of the activities in Europe with a clear focus on **Germany, Austria and Switzerland.**

Trouble-shooting, systems development and special project work such as analysing business and technical accounting issues will be important aspects of this role. The successful candidate will therefore be a qualified accountant or equivalent with at least 3 years' auditing experience. You will be fluent in English and German and will relish the prospect of a multi-cultural role with approximately 40% European travel.

This represents a unique opportunity to impact positively upon the efficiency and profitability of the European business, using a consultative approach which will add value. Career prospects are excellent both in Europe and group-wide.

Interested applicants should write to **Robert Macmillan** at Nicholson International (Search and Selection Consultants), Bracton House, 34-36 High Holborn, London WC1V 6AS quoting reference number UKR110275. Alternatively fax your CV on 0171 404 8128 or e-mail robert@nicholsonintl.com

NICHOLSON INTERNATIONAL UK



Generale Bank

# GENERAL MANAGER

## ABU DHABI

A newly established private shareholding company based in Abu Dhabi (UAE) with the objective of investing in and implementing industrial projects in the UAE, is seeking a dynamic individual to join the management team in the position of General Manager.

The successful candidate will have:

- Post graduate degree in an industry/business management related subject.
- 15 years of extensive experience in an industrial environment including a minimum of 5 years at a Senior Management Position and 5 years as a General Manager in a reputed company.
- Strong industrial background and successful record of implementing industrial projects with the ability to pursue new opportunities.
- Strong financial and accounting background in order to negotiate, supervise and follow up the financial matters of the Company. This will include, but not be limited to, dealings with bankers, stockholders and the management of the industrial facilities owned by the Company.
- "Hands-on experience" and the ability to work under pressure with a vast variety of projects and businesses.
- Demonstrated solid achievements in his past experience.
- Excellent communication and interpersonal skills. The general manager is expected to be involved in meetings and discussions with stockholders and the elite business circle in the UAE.

Compensation will be commensurate with experience.

**Please apply in confidence to P.O Box 1982, London W11 3AQ.**

BROCKHAMPTON HOLDINGS plc

# Finance Director – PLC

water plc

**£ Negotiable** **Hampshire**

Brockhampton Holdings plc is a progressive Stock Exch[illegible] listed company with a portfolio of commercial interests which is dominated by a water utility. The company emp[illegible] 250 staff and in the last financial year turned over £27 million. The main board now [illegible] an ambitio[illegible] Finance Director who will continue to take the company forward whilst retaining [illegible] values [illegible] have served the organisation well over the years.

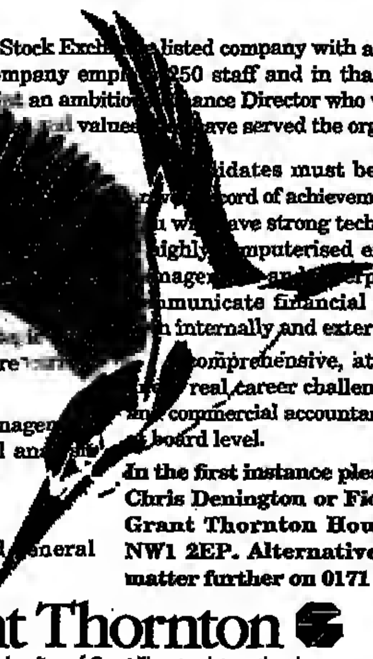
A commercial Finan[illegible] key role in the the [illegible] well as improving growth from [illegible] As a member of the main board, [illegible] the Managing Director and take re[illegible] following:

- financial direction of the company at a [illegible] whilst ensuring that day to day functions are [illegible] out effectively
- reviewing and updating accounting and manage[illegible] information systems and providing financial an[illegible] to support achievement of business objectives
- managing an accounting function
- directing the information technology and [illegible]eneral administrative functions.

[illegible]idates must be qualified accountants with a [illegible] record of achievement in a commercial environment. [illegible] will have strong technical accounting skills gained in [illegible] highly computerised environment, combined with the [illegible] management and interpersonal skills to interpret and [illegible] communicate financial and management information [illegible] internally and externally.

[illegible] comprehensive, attractive remuneration package [illegible] real career challenge are offered to an experienced [illegible] commercial accountant who wishes to develop a career [illegible] board level.

**In the first instance please send your career details to Chris Denington or Fiona Coles at Grant Thornton, Grant Thornton House, Melton Street, London NW1 2EP. Alternatively call them to discuss the matter further on 0171 383 5100.**



Grant Thornton

The UK member firm of Grant Thornton International

# DIVISIONAL FINANCIAL CONTROLLER

## Automotive Industry

**c£50,000 + car + benefits** **West Midlands**

Backed by the resources of one of the world's largest manufacturing groups, our clients are leading first tier suppliers of components and systems to the international passenger car industry. Following significant investment in new plant and equipment and considerable success at winning new business, they are now looking to recruit a professionally qualified Division Financial Controller to provide strategic and practical commercial support to their multi-site manufacturing operations.

Reporting to the Divisional Managing Director, you will have overall responsibility for the delivery of financial information at both divisional level and group level including budgets, forecasts and Taxation as well as overseeing the development of the company's AS400 based financial/manufacturing systems.

Ideally of degree level intellect and a proven finance manager from the automotive industry, you will be well used to establishing costing procedures, managing working capital and providing detailed management information at both local and international level. You will also manage the implementation of controls and systems to support the company's growing £80m turnover.

This is a challenging high profile role combining the need for a practical finance manager prepared to tackle fundamental operational issues, and the intellect / credibility to develop long term business objectives and operate at the highest level within an acquisitive international organisation.

To apply in absolute confidence please submit a fully detailed curriculum vitae, quoting reference number 13286, to the address shown below:

LORD SEARCH & SELECTION

Quadrant Court, 49 Calthorpe Road, Edgbaston, Birmingham B15 1TH.

# Tax Manager

## Geneva

Reuters is one of the world's leading providers of news and financial information, operating in 161 countries. The success of this technologically-led global company is reflected in profits of over £700 million a year, and market capitalisation of nearly £12 billion.

Reuters is seeking to hire a Tax Manager to join its legal and tax department at the company's regional headquarters for Europe, Middle East and Africa, based in Geneva, Switzerland. As a member of a team of five tax specialists, you would be involved in:

- advising regional management on complex tax issues such as transfer pricing, structuring of new business and taxation of international electronic services
- advising local management of Reuters operations and ensuring compliance with local requirements and group tax policies.

The successful candidate will have an excellent academic record earned in one of the main European countries, with emphasis on accounting and tax. Ideally, the candidate will have a minimum of five years' experience with a major tax firm or a multinational company, but other backgrounds are also welcome. English is the company language; other languages are an asset. The right person will be business-minded with an open personality, at ease with contacts at high level, independent, and ready to travel.

Opportunities may exist in the medium term to move around the company internationally.

For further information contact Jim Birtwell or Matthew Phelps on (0171) 415 2800, or forward a comprehensive resumé to Brewer Morris, 179 Queen Victoria Street, London EC4V 4DD. Outside hours (0171) 622 0900. Any applications made directly to Reuters will be forwarded to Brewer Morris.

*Reuters is an equal opportunities employer.*

BREWER·MORRIS

TAXATION RECRUITMENT SPECIALISTS

REUTERS

The Business of Information

# Ambitious Tax Professional International Tax Team

**Price Waterhouse in London** **Salary to £40k + benefits**

**Solving Complex Business Problems.** PW has an outstanding reputation for corporate tax consulting both in the UK and internationally. Our international tax team is looking for the best new professionals to manage a wide variety of highly innovative cross-border projects to optimise the worldwide tax positions of the largest global companies.

**Proven Ability.** You must already have at least one year post-qualification experience as an accountant, or have three or four years' of good basic grounding in corporate tax. You will have the keen and creative intelligence to quickly master a great deal of international tax.

**Relationship Building.** Your strong inter-personal skills should strengthen a highly creative team working to win business in direct contact with clients. You will need to motivate other tax specialists, research assistants and support staff.

**Project Management.** You will be required to control and co-ordinate a large, multi-location team of professionals. You will be meeting demanding deadlines and be using state-of-the-art IT applications for research, presentation and delivery of our complex tax products.

In addition, we are looking for some experience of tax outside your home jurisdiction, knowledge of basic international tax concepts, good communication skills and a strong analytical approach. You will be joining other highly talented professionals in an environment offering all the resources, stimulation and opportunities of a truly global network.

You will be from the accountancy profession, a law firm, a tax authority, industry or commerce, and not necessarily in the UK. You will be looking to join us at the level of tax manager, in a career structure designed to 'fast track' the best people as quickly as possible.

A salary up to £40k will be supported by a range of employee benefits, including excellent sports facilities and a flexible remuneration scheme. This allows you to influence the shape of your total benefits package to meet your personal needs.

Please send a comprehensive CV to:
Nigel Barker, Tax Recruitment Manager,
Price Waterhouse, 32 London Bridge Street,
London SE1 9SY.
Tel: (+44) 171 939 3828.
Fax: (+44) 171 939 3131.
Email: Nigel_Barker@Europe.notes.pw.com

Price Waterhouse

Price Waterhouse is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

**Appointments Advertising**

**appears in the UK edition every Monday, Wednesday & Thursday and in the International edition every Friday.**

**For further information please call: Toby Finden-Crofts on +44 0171 873 4027**

*c. £70,000 + bonus & benefits* | *Major UK Quoted Multinational* | *North West or London*

# Head of Internal Audit

***Internal promotion creates an excellent opportunity for a commercially focused internal audit specialist to join one of the UK's leading plcs with global brands, worldwide manufacturing and sales of c. £2.5 billion in over 65 countries. Challenging and broad remit, working closely with the line during a period of significant change to maintain a first-class service and continue developing a global operational audit process.***

**THE ROLE**

- Working with the Group FD, providing leadership to 5 established regional audit functions. Reporting on operations at local, divisional and group levels. Assessing and migrating best practice throughout the Group.
- Secretary to the Audit Committee, reporting on principal internal audit findings and subsequent follow-up action. Providing input to group technical and operational committees, including information strategy and risk management.
- Monitoring post investment performance of capital expenditure approvals in conjunction with the Group Financial Controller.

**THE QUALIFICATIONS**

- Ambitious and committed professional, aged 35+, with extensive international audit experience gained at the centre of a worldwide manufacturing business. Line experience and language skills advantageous.
- High commercial awareness and the ability to communicate effectively the implications of risk-based audit findings, challenge accepted priorities and help deliver better bottom line performance.
- A team player with strong interpersonal and leadership skills, able to negotiate in a resourceful and diplomatic fashion. Prepared to travel extensively with the potential to progress within the group.

Leeds 0113 230 7774
London 0171 298 3333
Manchester 0161 499 1700

**Selector Europe**
Spencer Stuart

Please reply with full details to: Selector Europe, Ref. F6169067L, 16 Connaught Place, London W2 2ED

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*To £65,000 + bonus & benefits* | *UK Quoted Multinational* | *London*

# Group Financial Controller

***Excellent opportunity for a first-class finance professional within an internationally competitive and profitable £1.2 billion turnover public group which has grown organically and by acquisition in the UK and Europe. Commercially focused remit to work with the Group FD and enhance the financial management and control infrastructure to support continued growth and development.***

**THE ROLE**

- Key member of Senior Group finance team working alongside functional specialists in tax, treasury and operational audit with full responsibility for Group accounting and financial reporting matters.
- Supported by an established team, build effective relationships within Head Office, the divisional finance teams and external advisors and deliver a planned systems upgrade in the near term.
- Provide analysis and support to the Group FD and CEO on a range of corporate development activities, focusing on a significant capital expenditure programme, acquisition due diligence and integration issues.

**THE QUALIFICATIONS**

- Technically excellent graduate ACA, aged early 30s+ with first-class financial accounting and audit skills gained in a major accounting firm and, ideally, experience at the centre of a complex international corporate.
- Excellent at leading and motivating a team, setting priorities and high performance standards. MIS literate and able to develop an existing network system.
- Flexible, pragmatic and resourceful with an eye for detail. Disciplined and organised in own work with a sense of humour and the ambition and potential to progress further.

Leeds 0113 230 7774
London 0171 298 3333
Manchester 0161 499 1700

**Selector Europe**
Spencer Stuart

Please reply with full details to: Selector Europe, Ref. F6161067L, 16 Connaught Place, London W2 2ED

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# European Business Development

**Kellogg's**

North West England

Excellent salary package

The Kellogg Company is a world class manufacturer of food products, most notably ready-to-eat cereals where the Kellogg brand dominates the global market serving consumers in 160 countries. An ever-increasing awareness of their products' health benefits and an outstanding reputation for quality, presents the Corporation with many exciting growth opportunities in both established and, most significantly, emerging markets worldwide.

The rapid pace of expansion in Europe, Middle East & Africa has created the need to appoint two new managers to the region's Business Development Team. Key responsibilities will include:

- Developing innovative and viable growth strategies at both corporate and business unit level
- Recommending market entry strategies and leading business start-up initiatives
- Assisting in the development and implementation of the regional strategic plan
- Driving the acquisition process from target identification, through transaction management and negotiation to post-acquisition integration

Successful candidates are likely to be MBAs with proven success in business development (particularly M&A activity) and strategic planning, preferably achieved within an international, FMCG environment. Excellent analytical and financial skills must be combined with an ability to work independently and cross-functionally. The capability to influence decision-making at board level is essential and additional language skills would be advantageous. These high profile roles offer exceptional future career development prospects.

Interested candidates should write with full CV, quoting current rewards package to Mark Hurley, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY, Tel: 0171 430 9000, Fax: 0171 405 5995, quoting ref: HMH/12244/FT.

**Hoggett Bowers**
EXECUTIVE SEARCH & SELECTION

INVESTOR IN PEOPLE

THE PSD GROUP

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# European Financial Controller

**c.£40,000 + Benefits** | **Berkshire**

**Challenging role for bright, ambitious finance professional at the centre of a growing and profitable outsourcing, systems integration and consultancy company.**

**THE COMPANY**

- Wholly owned subsidiary of one of the world's major technology companies; American based with worldwide turnover of $2.2 billion.
- Fully integrated service provider encompassing consultancy, specialist technology application, project management, customer care and support systems divisions.
- Highly respected, dynamic business with exceptional quality ethos. Expanding across Europe.

**THE POSITION**

- Report to and act as deputy to CFO. Full responsibility for financial control and consolidation of group's European based accounting activities.
- Create standard operating procedures for Europe. Work with accounting groups in each country ensuring accurate and timely reporting and troubleshooting as required.
- Involvement in project teams co-ordinating European bids and proposals from financial and administrative point of view.
- Work closely with CFO on European expansion and provide support on specific projects. Excellent longer term career prospects.

**QUALIFICATIONS**

- Qualified chartered, certified or management accountant. Ideal experience would be financial control in major multisite, high technology European business.
- Previous exposure to projects and contracts is of critical importance. Fluency in French or German preferred. Prepared to travel extensively.
- Enthusiastic self starter with first rate communication and people management skills. Strong team player. Probably aged 35 plus.

**Please send full cv, stating salary, ref SC70604, to NBS, One St Colme Street, Edinburgh, EH3 6AA**
**Fax 0131 220 2440 Tel 0131 220 8210**

Aberdeen • Birmingham • Bristol • City • Edinburgh • Glasgow • Leeds • London • Manchester • Slough • Madrid • Paris

NB Selection | **NBS** | Selection and Search

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# Make sure
## the end of the century marks the acceleration of your management career.

**MBA OPPORTUNITIES FOR RECENTLY QUALIFIED ACAs**

**c.£35k + car + benefits**

Our client is a remarkable business by any measure. They are the UK's market leaders in food distribution, fish sourcing and processing, and agribusiness, yet their influence is not confined to this country. Today, they are a £5 billion business with a customer base that spans more than 85 countries world-wide.

For talented ACAs, the entry point into this business has traditionally been the Corporate Audit team. From here, individuals have recently progressed to controllership, international financial management, and acquisition integration roles. The possibilities are almost limitless; not least because from January 1998 you will be sponsored to gain an MBA. The one proviso is that you can excel in the demanding and varied role of Corporate Audit Manager and have significant long term career potential.

The role will give you exceptionally broad financial and commercial experience. You will work closely with the Directors and Senior Managers of our client's subsidiary companies, focusing on areas where business risk is at its highest. Involvement in a wide range of projects from financial analysis and review, control assessments, and post investment appraisals will ensure you gain exposure to all the Group's activities, including overseas joint ventures and major new initiatives.

The brief is also designed to develop your people management abilities. Junior members of the team will look to you for guidance and support, and we will rely on you to lead their training and development. Add to this the opportunity of international travel and the prospect of a head office or subsidiary appointment once you have proved yourself, then it is clear that this is indeed an 'accelerated' management programme.

To gain a place, you should be a recently qualified ACA from a major audit firm with approximately two years' pqe. You will need ambition, an inspiring personality and the credibility to argue your case with senior managers. A good grasp of one or more European languages and an understanding of IT systems auditing would also be beneficial.

The department is based in South Bucks. and a relocation package is available.

It is a lot to ask, but we know we have a great deal to offer in return. If you are ready and able to progress this opportunity, send a CV and covering letter quoting reference no. LG705C4 to NBS, 54 Jermyn Street, London SW1Y 6LX. Fax: 0171 491 0447. Tel: 0171 493 6392.

Aberdeen • Birmingham • Bristol • City • Edinburgh • Glasgow • Leeds • London • Manchester • Slough • Madrid • Paris

NB Selection – London | **NBS** | Selection and Search

A BNB Resources plc company — ISO 9002 Registered

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# Financial Controller

CAPITAL EQUIPMENT
EXCELLENT REMUNERATION PACKAGE — SOUTH WEST FRANCE

A fast-growing and very successful French subsidiary of a major US multi-national, our client is engaged in the design and manufacture of sophisticated mobile capital equipment with a product base which is internationally regarded. This appointment is critical to the organisation's objective of continued growth towards and beyond the year 2000.

Working very closely with the Managing Director of the company and reporting to the Group Finance Director, based in England, you will have a pivotal financial control and administrations management role. Heading up a professional accounts team, you will lead the preparation and presentation of accounts, budgets, and forecasts, and the control of all monetary/cash flow issues. A key requirement is the development of a standardised costing system.

Aged around 30 to 40 years, with a professional accounting training and qualification, candidates will be proven financial managers of the highest calibre who have held the senior financial controller role in a small to medium sized manufacturing organisation, where computerised information and accounting systems have been employed. With a strategic outlook and excellent inter-personal skills, you will also be fluent in French and English. The company is situated in South West France, and an excellent remuneration package is available.

Please reply in confidence, enclosing your CV and current salary details to Keith H Thompson at Howgate Sable & Partners, 2 Amethyst Road, The Newcastle Business Park, Newcastle upon Tyne NE4 7YL. Tel: 0191-272 1000, Fax: 0191-272 1111, quoting ref: FT6004.
*Visit our web site at http://www.topjobs.co.uk/howgate*

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# Director Group Operational Audit

**EXCEPTIONAL OPPORTUNITY FOR FAST TRACK CAREER IN INTERNATIONAL FINANCE**

**LONDON** | **SIX FIGURE PACKAGE**

- Lucas Varity is a FTSE 100 company, market cap £3bn, and is one of the top ten automotive components suppliers in the world. An exceptional individual is required to review the Group's existing internal audit resources and create a new business focused Operational Audit function.
- The Director of Operational Audit will work with line management to develop a partnership approach to assessing business risk and implementing effective internal control procedures, changing the perception of audit throughout the Group.
- He/she will define and implement an appropriate functional structure whilst improving the quality of the internal audit through recruitment, training and development programmes. Once the transformation is complete, a further challenging line finance role will follow.
- A charismatic individual with strong leadership skills is needed to motivate and develop this key resource. Energetic, intellectually flexible, commercially minded and ambitious, he/she will have excellent interpersonal skills and will be able to rapidly establish credibility with the Group's senior management.
- This role provides a rare opportunity to enter the Group at a very senior level in finance and make a major contribution to the finance team. It is expected that the right candidate will progress to a senior line finance appointment elsewhere in the Group within 2-3 years.
- Qualifications: a first class academic background and either experience as a partner in a major accountancy firm or a senior finance position within a large international company. It is likely that the right candidate will have achieved this by their late thirties or early forties.

Lucas VARITY

Please apply in writing quoting reference 1099 with full career and salary details to:
Alison Conner
Whitehead Selection
11 Hill Street, London W1X 8BB
Tel: 0171 290 2043
http://www.gbnet.co.uk/whitehead

**Whitehead** SELECTION
A division of Whitehead Mann Ltd, a Whitehead Mann Group PLC company

# Chief Accountant

**c.£40,000**
**+ Car + Benefits**

**Kent**

MARTIN-WARD ANDERSON
LONDON · WINDSOR · ST ALBANS

Our client is a UK subsidiary of a $1.6bn multinational fmcg organisation with headquarters in the US. Since 1990 the group has experienced rapid growth involving expansion into Eastern Europe, Latin America and Asia. The Group is investing significant time and resource into the development and expansion of their subsidiary businesses.

As a result of recent acquisitions and subsequent reorganisation the UK subsidiary is seeking to recruit an ambitious Chief Accountant. The UK enjoys a leading market position currently with a turnover in the region of £100m., employing in excess of 800 people.

Reporting to the Finance Director and liaising with other commercial and manufacturing divisions the role will encompass the following:-

- Provision and commercial interpretation of financial results for the UK group of companies on a monthly and annual basis.
- Responsibility for full statutory and tax reporting requirements.
- Maintenance and management of risks/opportunities to ensure the integrity of financial information.
- Development of new systems to maximise the accuracy of data and enhance the execution of business decisions.
- Development of cash management and forecasting.

The successful candidate will be a graduate, qualified accountant who can demonstrate high levels of dynamism, lateral thinking and communication skills. They will have a record of achievement and will have shown adaptability faced with change. There are outstanding career opportunities in the UK and abroad for those who achieve their career development potential in this role.

Interested candidates should send a full CV, quoting reference 39897, to Richard Wright or Jackie Urmston at Martin Ward Anderson, 7 Savoy Court, Strand, London WC2R 0EL. Tel: 44 (0)171-240-2233. Fax: 44 (0)171-240-8818 E-mail: info@mwa.co.uk.

# EXCEPTIONAL OPPORTUNITIES

**Surrey** — **package c£50,000 + car** — **International HQ**

**Our clients are a £4 billion British manufacturing Group with operations throughout the world and are amongst the leaders in their field. The management structure imposes a strong emphasis on the quality of their management reporting procedures and exposure to these rigorous disciplines provides an outstanding opportunity to build a progressive career within the Group. A recent review of management reporting within the Group has identified the need for two senior managers at the Group Centre to be responsible for the following roles. The common requirements are for qualified accountants with at least 5+ years' pqe, who have an above average record of achievement and recognise the need to add value in a business.**

## Performance Management

The purpose of this role is the establishment of management reports to track performance against the agreed objectives of a number of Group-wide programmes that are designed to achieve profitable growth. The role also includes the establishment and promotion of best practice within operating businesses in areas of performance measurement, forecasting and budgeting. This is a hands-on role that will give a group and international perspective to somebody who has experience of an operational environment in a sizeable plc. Ref: 1783/FT

## Group Financial Analysis

This new role focuses on providing the Board and senior Group Management with a broad spectrum of criteria with which to measure performance. This will include the analysis of trends, the identification of business risks/opportunities and the introduction of KPIs and Balanced Scorecard concepts. Applicants must be able to show a record of achievement, operating at Group level within a complex structure using large systems. They will need to demonstrate well-developed analytical skills and the ability to communicate effectively at all levels of management. Ref: 1784/FT.

*Please write with full CV including salary history and daytime telephone number, quoting the appropriate reference, to Dick Phillips ACIS, Phillips & Carpenter, 2 - 5 Old Bond Street, London W1X 3TB. Telephone 0171 493 0156.*

*Phillips & Carpenter*
Search and Selection

# DIRECTOR OF FINANCE

## £50k PLUS

The University seeks to appoint a Director of Finance to be responsible, through the Vice-Chancellor to the University Council, for financial planning and management. The post is available immediately.

The University has a budget of some £75m, serving the needs of over 12,000 students and 2,000 staff. The Director will be responsible for maintaining effective financial control, and as a key member of the University's senior management team will provide strategic financial advice across all areas of the University.

Candidates should be qualified accountants holding a senior financial position in the public or private sector.

Further particulars and details of how to apply may be obtained from the Head of Personnel Services, University of Hull, Hull HU6 7RX, quoting reference DF.

*Closing date: 11 July 1997.*

THE UNIVERSITY OF HULL

REED ELSEVIER

## Global Internal Audit

**£excellent + fx car + bens**

Reed Elsevier is a world-leading publisher and information provider with annual sales exceeding £3billion. A unique combination of market-leading publishing interests and investment in technological resources - including ownership of the world's largest premium online information provider - means that the group is well-positioned to take full advantage of growth opportunities offered by the electronic information age.

Crucial to successful expansion is the effective integration of newly-acquired companies. The high-profile Internal Audit team carries out pre- and post-acquisition reviews and focuses on high-risk business areas, identifying continual improvements in operational efficiency and working closely with Finance Directors of subsidiaries. The team acts as a catalyst for the introduction of change, reviewing controls within existing businesses and seeking to ensure the leverage of best practice throughout the organisation, playing a key part in processing knowledge between business units.

Gaining broad exposure to diverse businesses the positions involve c40% travel to operations in Europe, the USA and Asia Pacific. The level of exposure and quality of experience gained in the team ensure excellent career prospects in this growing, international environment.

Candidates should be bright, ambitious young ACAs or equivalent. A good degree, computer literacy and strong interpersonal skills are all important. Successful candidates will probably have 2-3 years' pqe, but exceptional newly-qualifieds will be considered. European language ability, particularly knowledge of French and German, would be an added advantage but is not essential: more important is the flexibility to be an effective team player yet strongly self-motivated.

The salary and benefits are outstanding: the Company operates a comprehensive training programme and additional benefits include health insurance, share option saving schemes and 5 weeks' holiday.

If you have the talent, drive and enthusiasm to fulfil these challenging roles, please post or fax a full CV to Alderwick Consulting at the address below quoting salary details and ref: 219. For more information, telephone (+44) 171 242 9191 (weekdays) or (+44) 1763 853025 (evenings and weekends). Any CV sent direct to Reed Elsevier will be forwarded to Alderwick Consulting.

ALDERWICK CONSULTING
SEARCH & SELECTION
95 FETTER LANE, LONDON EC4A 1EP. TELEPHONE: (+44) 171-242 9191 FAX: (+44) 171-242 3560

SAINT MARTIN FOOD PRODUCTS LTD.

**FINANCE DIRECTOR/COMPANY SECRETARY**
**Very competitive salary plus benefits**

Saint Martin Food Products, the subject of a Management Buy Out in 1994, are a major supplier of chilled food to Retailers, the Airlines and Roadside Caterers. Turnover this year is anticipated to exceed £18m and the Company has ambitious plans for the future. Situated in a modern, purpose built EEC approved factory at an attractive location on the west side of London.

We are seeking a graduate level qualified accountant with a track record of successful achievements in introducing new systems and running a finance and administration team.

The ideal candidate will NOT be looking for a routine accounting role, they will be energetic and outgoing with a straightforward approach to problem solving, excellent interpersonal skills, be flexible and able to provide accurate quality information to a demanding timetable. IT skills are an essential part of this role. A background in the Food Industry is preferred though not essential, and the ability to work in an environment where order receipt to delivery time is less than one day.

Candidates who feel they can contribute beyond the month end reporting routines should apply in writing with a maximum 2 page CV to:
Mr Trevor Stephens - Managing Director, Saint Martins Food Products Ltd
17/19 Armstrong Way, Great Western Industrial Park, Southall, Middlesex, UB2 4SD

# THE BRITISH PETROLEUM COMPANY p.l.c.

## BP Finance, London

BP Finance, the body responsible for the financial management of the BP Group, currently has two opportunities within its Management and Accounting Services (MAS) team. MAS provides financial accounting and analysis, integrated management reporting and measurement of BP Finance's results, together with development and promulgating of assurance through a process of continual improvement in the control environment.

### Internal Control Executive

Through a critical evaluation of current controls and processes, your role will be to continue the development of the BP Finance internal control environment, implementing more effective and efficient working practices wherever appropriate.

**Duties**

As part of our team you will be expected to:

- Perform the daily review of the "money at risk" utilised by the BP Finance trading activities, including analysis and investigation of the data and liaison with the dealing rooms.
- Act as the BP Finance system (Wall Street) Security Officer through the management of various user and system access controls.
- Review, monitor and report on the utilisation of BP Board Authorities.
- Liaise with Group Legal on compliance and documentation issues.
- Perform monthly stress and scenario testing on BP Finance trading positions and report the results to senior management.
- Be involved in ad hoc projects which will be a major part of the role.

**Qualifications/Experience**

- Preferably a qualified accountant with experience of treasury or internal control principles and processes.
- Team player, proactive with excellent analytical, interpersonal and communication skills.
- Ability to work independently and confidently interact at all levels.

### Treasury Analyst

The role provides an ideal entry point into BP Finance and will provide exposure to a broad range of accounting, reporting and financing activities. The role will focus on debt related activities and you will be expected to develop a detailed knowledge of BP's financing activities.

**Duties**

As part of our team you will be expected to:

- Review and develop Liability Management accounting policies and procedures.
- Define and develop a management reporting process for financing related activities.
- Assume full accounting and reporting responsibilities for a group of American Finance Companies.
- Produce a quarterly analysis and commentary for the financing elements within the Group Results.

**Qualifications/Experience**

- A qualified accountant with an interest in the financial markets.
- Ability to work independently.
- Excellent system skills, particularly Excel.
- Strong mathematical and analytical ability.
- Ideally, a working knowledge of UK and US GAAP.

For both roles, there will be the opportunity to be involved in a number of activities which can be tailored, according to your interests and development wishes. In addition, we offer an attractive and competitive package, including performance-related bonus and non-contributory pension scheme.

To apply, please address your application in writing, enclosing a detailed CV to: Karen Roberts, Human Resources Department, The British Petroleum Company p.l.c., Britannic House, 1 Finsbury Circus, London EC2M 7BA.

*BP is an Equal Opportunity Employer.*

BP

# FINANCE DIRECTOR

## SPECIALIST FOODS

**To £60,000 + benefits** — **Central South London**

**THE COMPANY**

- Rapidly expanding independent UK based Specialist Food Group T/O £25m+ sourcing product world-wide.
- Annual sales growth 1996/1997 35%+.
- Niche market leader in marketing, processing and distribution of high quality food to Blue Chip Foodservice and Retail customer base.

**THE ROLE**

- Build and motivate committed finance/IT team providing comprehensive multi site accounting and management information systems.
- Undertake thorough review of current reporting systems/IT functions.
- Plan and implement full systems upgrades to agreed time frame to meet company's ambitious growth plans.
- Reporting to the board, play important role in the management/ strategy of the business as senior director.

**THE CANDIDATE**

- Graduate qualified accountant (ideally FCA) with minimum of 8 years operational financial management gained in industry.
- Proven ability in leading the finance/IT finance through a period of dramatic change.
- Natural leader, ambitious and hardworking seeking a new challenge.
- Experience of short lead times/high transaction volumes within a dynamic environment.
- Strategic thinker combined with strong commercial hands-on approach.

Please send full personal and career details including current remuneration and benefits and how you meet the requirement to:
Janet Chisholm, 1 Bethwin Road, London SE5 0YJ, quoting LL1011.

## APPOINTMENTS WANTED

# EXPERIENCED BUSINESS MANAGER

**Seeks:**
challenging MD or commercial FD position in a growth orientated business (interim management considered)

**Offers:**

- highly motivated & results driven individual
- diverse marketing and financial background
- extensive international experience
- professionally qualified
- proven track record

May suit company seeking to split Chairman/ Chief Exec role.

Please reply to Box A5440, Financial Times, One Southwark Bridge, London SE1 9HL.

# Management Accountant

**Cambs** **c£32,000 + benefits**

Our client, a leading supplier of fresh food products to national supermarkets, is seeking a technically strong Management Accountant to join its young management team.

This ambitious company needs an equally ambitious, confident and bright individual to invest energy in the company's growth. Reporting to the Managing Director duties will include

- Financial accounting
- Management and financial reporting
- Review and management of costing systems
- Staff management and development
- Management and development of fully integrated computer system

**If you feel you have the drive and commitment to contribute to the speed of growth and development of this company, you should send you C.V. quoting Ref: FT6612 to Tina Two, Grant Thornton, 49 Mill Street, Bedford MK40 3LB.**

Grant Thornton

The UK member firm of Grant Thornton International

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# COPELCO LIMITED

## Hertfordshire

### The Company

Copelco Limited delivers creative leasing and financing programmes for manufacturers and distributors in several distinct growth sectors. Our markets, which include healthcare, electronics and office technology, are all characterised by rapid technological change. At the same time these huge markets are underpinned by strong macro-economic fundamentals throughout the world.

In Europe and North America, Copelco has combined assets of over $3 billion. Copelco is part of Copelco Financial Services Group (CFSG) which also offers automobile and residential mortgage finance. CGSG, in turn is a wholly owned subsidiary of Itochu, traded on the Toyko Stock Exchange. Itochu has a world-wide presence in 85 countries and net assets exceeding $65 billion.

Copelco's mission is to bring state of the art service to all of our clients, world-wide. We are expanding rapidly through offices in North America as well as the UK, France and Germany.

**FINANCE DIRECTOR**

*The Role*

A core member of our European Management Executive, the Finance Director will be the key leader in expanding a modern, telecommunications based infrastructure for EC-wide financing programmes. Developing and implementing new management concepts for multi-country accounting, tax, VAT, reporting, budgeting and customer service activity will be the critical challenge.

*The Candidate*

You must have 10-15 years experience with at least five years in a major European financial services concern. You will be well versed in the technical accounting and tax aspects of asset finance with serious commitment and enthusiasm for developing a talented team of finance professionals. MBA or equivalent academic background is desirable. A full professional accounting credential is a necessity. Most importantly, you will be dedicated to growing a business for the next millennium with a focus on total quality for all our customers and pride in building a world-wide financial services team.

Interested candidates should apply in the strictest confidence to Matthew Winfield or Bill Morrow at Morgan Chase Europe Limited, 54 Grosvenor Street, London W1X 9EU. Tel: 0171 629 5444, Fax 0171 629 7445 e-mail morganchase@mail.bogo.co.uk.

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# Outstanding Career Opportunities

***City*** ***£40,000 – £60,000 package***

The Group consists of an international portfolio of businesses and provides a broad spectrum of financial services to customers, ranging from individuals and small businesses to multi-national companies. Many of the businesses are recognised as market leaders, with well-established corporate brands and the Group is continuing to develop across the range of banking, securities and related derivatives activities. It has requirements in key positions for high quality qualified accountants.

***Financial Analyst*** *Ref. 2546/11*

Primary interface between business sectors and Group finance, with responsibility for the review and critical analysis of monthly, quarterly and bi-annual financial and management reporting, providing in depth analysis for inclusion in reports to executive management, Board and externally. It will involve constant liaison with business sectors to develop and maintain detailed knowledge of their businesses.

***Financial Reporting*** *Ref. 2531/27*

To plan, co-ordinate and manage a team responsible for the production of the Group's quarterly financial accounts and the consolidation process.

Development and implementation of enhancements to systems, outputs and procedures to meet the needs of executive management and external reporting requirements, providing support and guidance to business units.

***Balance Sheet and Regulatory Reporting*** *Ref. 2532/27*

Head up a small team responsible for the production of the Group's regulatory returns, assessing the impact of all current Bank of England capital adequacy requirements and ensuring appropriate systems are in place. In addition, review and detailed analysis of monthly input from business units, providing commentary for inclusion in reports to executive management and Board.

Review and analysis of the Group's balance sheet, providing detailed reports to executive management.

***Reporting Policies and Procedures*** *Ref. 2547/11*

Part of a small team responsible for the Group's accounting policies and procedures, through the Finance Manual and for giving expert advice on financial and regulatory reporting issues.

The successful candidates will have good academic backgrounds and be qualified Chartered Accountants with between three and five years' post qualification experience. They should have strong analytical, communication and presentation skills. Our client is looking for highly motivated, ambitious, confident individuals who want a long term career with an international group. The benefits are consistent with a major financial services organisation and the package will be dependent on the background and experience of the individual.

For further information in the strictest confidence, please contact Caroline Ford or Ian Dunbar on 0171 240 1040. Alternatively, send or fax your résumé quoting the appropriate reference number to Morgan & Banks PLC, Brettenham House, Lancaster Place, London WC2E 7EN, facsimile number 0171 240 1052.

E-mail: info@morganbanks.co.uk http://www.morganbanks.com.au

Morgan & Banks INTERNATIONAL

BANKING SPECIALISTS

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# ocean

## FINANCE DIRECTOR DESIGNATE

**To £40,000 plus car, benefits and share options** **South West London**

**The Company**

A recently established and rapidly expanding business, Ocean Home Shopping Ltd is a highly successful home shopping and mail order business marketing its high quality home accessories by catalogue for next day delivery. With backing from an impressive and experienced Board and significant investment, the company is well placed to meet its ambitious growth plans, aiming for flotation around the year 2000.

**The Role**

A genuinely varied opportunity, you will be responsible for the entire financial affairs of the organisation and will need the flexibility to manage the books of accounts on the one hand, whilst having significant commercial and strategic input, liaising with the Managing Director and operational managers, on the other. In short, the post is instrumental in the future growth of the organsation and will develop into a full board appointment incorporating stock options.

**The Appointee**

To be successful in this role, you are likely to be a qualified Accountant and will demonstrate a successful track record in a progressive organisation. In addition, you will have a genuine interest in being part of a small, rapidly expanding business, in which flexibility and adaptability is paramount, as is the ability to command credibility amongst eminent city investors.

**To apply, please write enclosing your CV our Recruitment Advisor, Joanne Gorman, Hays Accountancy Personnel, 1st Floor, 2-6 High Street, Kingston, Surrey, KT1 1EY. Tel: 0181 549 8460. Fax: 0181 547 1587.**

Hays Accountancy Personnel

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*We offer:-*

- *Company Car*
- *Bonus Opportunity*
- *Private Health Care Scheme*
- *Profit Sharing Scheme*
- *Contributory Pension Scheme*

*To apply please send a current CV to:*

*Nigel Perry*
*Human Resources Director*
*Brake Bros Foodservice*
*Eureka Science and Business Park*
*Ashford*
*Kent TN25 4AG*

*Closing date: 3rd July 1997*

*We operate a no smoking policy*

*No agencies or consultants please*

The Brake Bros plc group has a turnover of £650m and employs nearly 5,000 people in the UK and France. Brake Bros Foodservice, its principal UK trading division, is the largest and most successful supplier of frozen food to the catering industry, contributing £420m of the total Group turnover. With four distinct customer focused sectors, it operates from 41 distribution centres while using other specialist support services. It is now looking to appoint a commercially astute Finance Director to the Board.

The Board and management team require strong financial input to drive the business forward. You will lead and motivate teams delivering high quality management information whilst exercising tight credit control - without having the responsibility for centrally provided accounting services. You will also have a strategic role in helping to formulate business plans as well as measuring their performance.

A qualified Accountant, you must be commercially focused and ideally have experience of multi-site operations. You will have excellent interpersonal skills, a proven track record of man-management, be a committed, hands-on, energetic individual with a flexible and pro-active approach to the job.

BRAKE BROS serve the caterer

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# FINANCIAL CONTROLLER

## (Finance Director Designate)

Leisure

Yorkshire

c£35,000 Bonus, car

■ This profitable, expanding and highly-successful holiday and leisure travel business, part of an enterprising privately-owned group, has firm plans for further growth over the next 3-5 years. The new role of Financial Controller offers an excellent opportunity for an ambitious and well-rounded accountant to join the senior team and play a leading role in the achievement of these objectives.

■ Reporting to the Managing Director, you will be responsible for financial/cash management and controls, but will also handle some key aspects of the business' development such as corporate planning, investment appraisal and financing, as well as leading IT developments, overseeing Personnel and Training issues, and contributing to group-wide business and financial matters.

■ You must be a qualified ACA or ACMA with demonstrable success in at least one senior financial management position, preferably in a service sector such as retail or leisure. Confidence, professional integrity and broad business awareness are essential qualities but you must also have the drive and enthusiasm to contribute effectively in a hard-working and results-orientated team.

■ ***Please send your CV, quoting current remuneration and ref. 1260/FT to: Stan Dickinson, Theaker Monro & Newman, The Executive Centre, 100 Wellington Street, Leeds, LS1 4LT (tel. 0113 237 3901). All replies will be handled in strict confidence.***

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# Head of Internal Audit

## Promoting best practice within the leading Nordic Bank

**City** **£Competitive Package**

Svenska Handelsbanken is the leading Nordic Bank with over 8,000 employees and operations in 18 countries worldwide. The Bank's operating profit for 1996 was the best in its 125 year history. Svenska Handelsbanken's operations in London employ over 200 staff and consist of Handelsbanken Markets covering corporate finance, equities and trading, together with Corporate Banking and Private Banking activities.

Internal Audit plays a fundamental role in promoting control and operational efficiency and pursues a commercially driven approach, committed to maintaining excellent standards. The Bank is now seeking a Head of Internal Audit in London, reporting to the Head of Group Audit in Stockholm. As the local Head of this department, you will be responsible for managing a London based team which is supported by internal auditors from overseas offices. Your role will involve the risk evaluation of all operational activities in order to assess the adequacy of controls. Additionally you will undertake statutory audit assignments and special investigations and reviews both in London and internationally.

You will be a graduate or professionally qualified with a good understanding of risk evaluation in investment banking, gained either in an internal audit or a similar control position, or alternatively from a leading accountancy practice. Additionally you will possess outstanding communication and management skills, together with the authority to maintain internal audit's high profile with the Bank.

In return for your skills and commitment, the Bank offers a highly competitive remuneration package and the opportunity to develop your career with an outstanding global operation.

For further details please contact Tim Sandwell at Barclay Simpson Associates, Hamilton House, 1 Temple Avenue, Victoria Embankment, London EC4Y 0HA. Telephone 0171 936 2601. Fax 0171 936 2655. E-mail tjs@barclaysimpson.co.uk

Svenska Handelsbanken

# IT Appointments

# Retail Banking

## The interest rate is about to go sky-high.

### Copenhagen based - relocation packages available

Retail Banking is having to change: today's financial customers demand a level of service and flexibility that existing online/batch computer systems are unable to cope with. IBM offers a solution to these complex demands, providing comprehensive support to the core business activities of the modern financial enterprise, maximising cross-selling opportunities and the total management of the customer relationship.

This IBM solution is designed to facilitate a 24 hour/7 day a week customer-focused operation, providing real-time management information.

Designed and initially developed for a group of Danish banks, working with and using tools and methodologies from IBM, this corebanking solution combines comprehensive functionality with a flexible implementation structure that can be used to manage the core IT operation of any retail financial institution. Operating within scaleable Client/Server environments and offering a user friendly GUI, it is supported by the immense strength of IBM's product and service offering across the globe.

The IBM International Centre for this solution, based in Copenhagen, has responsibility for the development and continued enhancement of this globally applicable product. We now need to complement this impressive team and are seeking a number of committed and exceptional professionals to fill the following roles:

### Technical Architecture Manager (Ref. DAM)

IBM's corebanking solution will require ongoing enhancement in order to stay at the forefront of technology. Your role will be to manage a team responsible for the strategic technical direction of the product in line with IBM strategy. This will require a broad technical knowledge in many areas; including Application Development tools and methodologies; Client/Server directions; and network computing.

Extensive experience as a technical architect, allied to a full interest in and knowledge of technical directions and proven ability to apply this knowledge, are essential prerequisites for this role.

### Version Control Management (Ref. DCM)

The corebanking solution has been developed using the HPS case tool and each version of the product developed will be customised, depending on the language and regulatory requirements of the local environment. You will lead the process of delivering and controlling different versions - a role that demands 3-5 years' experience in managing multiple releases of large complex application software, preferably for the banking industry, and ideally catering for an international client base. As a result of this experience, you will be very knowledgeable about typical client implementation patterns. Additionally, you will have a broad understanding of CASE technology with the gravitas, personality and interpersonal skills to manage business relationships.

### Training Development Manager (Ref. DTM)

Responsible for defining and executing a worldwide transfer of skills from Copenhagen (where all functional knowledge currently resides), your role will expand considerably to include the definition of education requirements for clients. Primarily, the position demands experience of developing education in banking software or a similar fast-growing, fast-changing environment that requires creativity and continual innovation.

### Maintenance Program Manager (Ref. DPM)

Developing a worldwide maintenance operation that fully utilises the total IBM capabilities and structures, you will need a considerable range of skills gained from within the application software industry - together with a proven record of success in a similar role.

The rewards and prospects are outstanding for all positions - as long as you have the team spirit, international perspective and large application banking software development experience to make the difference on a monumental European project.

Whilst the positions are based in Copenhagen, they offer the opportunity to work on, and be instrumental in, the continued success of a market leading product that will fundamentally affect banks around the globe.

We have asked Martin Newman at Hanover Matrix to handle this recruitment programme on our behalf. Please send a full curriculum vitae and covering letter to him at 103 Mount Street, London W1Y 5HE, England, quoting the appropriate reference.

IBM is an equal opportunity employer.

The IBM home page can be found on the Internet at www.ibm.com

IBM

Solutions for a small planet

## Project Manager – Front Office Development

**Threadneedle** — Excellent Salary & City Benefits Package

Threadneedle Asset Management is a rapidly expanding global investment management house with £31bn* under management. The company currently manages a variety of funds including Institutional Pension Funds, Unit Trusts and Offshore Funds. Their aim is to become a market leader in global asset management. To help achieve this, the company has expanded over recent years, providing a quality investment service with excellent investment results. As part of this ongoing expansion, the need for development within the technology division has been recognised.

A new position has opened within the IS group in London for a project manager in the front office.

**You should have:**

- experience of all aspects of fund management or securities operations.
- knowledge of the investment process.
- proven success in the development of systems for short, medium and long term gains, aligned to business planning.
- excellent technical skills gained through career progression from a systems analyst background, ideally within fund management.
- first hand experience in controlling the planning and delivery of front end operational projects.
- customer focused, pro-active approach with strong communication skills.
- ability to motivate others, work on own initiative and to contribute as part of a team.
- ability to gain the confidence of Senior Management.
- a good degree in a numerate discipline; a professional qualification is desirable but not a pre-requisite.

**Technical requirements:**

- Reuters (Triarch), Bloomberg, Preview, MS-Office, Visual Basic, SQL and Sybase skills.

You will receive a highly competitive remuneration package, technical and management development training in a challenging operating environment.

**as at 31 December 1996.*

*If you fit the above criteria please send your cv to:*
*Edward Hunter Blair at Sheffield-Haworth Limited, Prince Rupert House, 64 Queen Street, London EC4R 1AD.*

**SHEFFIELD-HAWORTH**
**Consultants in Search and Selection**

**FT IT Recruitment appears each Wednesday in the UK edition, and each Friday in the international edition**

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**Mark Cunnington on +44 171 873 3761**

**Courtney Anderson on +44 171 873 4095**

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Or Louise Williams
Tel: 0171 335 0005
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# INTERNATIONAL CORPORATE FINANCE

The mood of optimism is stronger in the US than in Asia or Europe and for many banks the pay-offs have been large, writes John Gapper

## Just like old times on Wall Street



For mergers and acquisitions specialists who mada their names in tha Wall Street takeover spree of the mid-1980s, the past year has been reminiscent of old times. The strength of the economy in the US and the recovery in Europe has spawned a succession of multibillion-dollar mergers.

"Businesa ia extremely strong in virtually each product and every part of the world. It is more or less unprecedented in my career for all cylinders to be firing in this way," says Mr Joseph Perella, a vateran adviser who is bead of corporate finance at the US investment bank Morgan Stanley.

"The industry continues to be extraordinarily active on all fronts, across borders and in many industries, involving both financial and strategic buyers. For the moment, things appear to be very well balanced," says Mr Steva Rattner, deputy chief executive of Lazard Freres in New York.

The mood of optimism is stronger in the US than in Europe or Asia, botb in terms of the amount of activity and the competitive atrength of investment banks. For the banks that bave invested in corporate finance expertise over aeveral years, the pay-offs have been large.

Deals such as the merger of Morgan Stanley and Dean Witter Discover, or Boeing's $13bn takeover of McDonnell Douglas have shown the appetite for consolidation among large US companies. British Telecommunications' $21bn bid for MCI was the equivalent in trans-Atlantic deals.

In Europe, hopes among investment banks of participating in a wave of industrial restructuring and consolidation have been largely disappointed. While the UK, the Netherlands and Scandinavia have been active markets, Germany and France have been slower to fulfil their potential.

The continuing wave of activity has a number of causes:

■ Strong economic growth and low inflation provides companies with a atable environment in which to plan expansion. At the same time, many companies in mature industries have difficulties achieving more than single-digit earnings growth without resorting to cost-cutting mergers.

"The issue for many managers has been to find something to buy because building is too slow. Many industries that have been consolidating, such as financial services, are stable and mature. Merger activity is stimulated by that," says Mr Mac Heller, a managing director of Goldman Sachs.

■ The high levels of stock markets have provided many companies with the financial muscle to seek combinations with others. Although hostile takeovers have been deterred by high equity valuations, agreed mergers between erstwhile competitors have been encouraged.

■ Regulatory barriers have weakened in many industries, allowing consolidation that has been held back until now. This effect has been particularly strong across borders, with global consolidation of the pharmaceuticals industry, and of utilities companies in the US and UK.

Beyond the apecific deregulation initiatives in particular industries, the wider move towards free market capitalism around the world encourages mergers. "The world shifted at the start of this decade from being state-controlled to being driven by the market," says Mr Perella.

These factors have helped to strengthen the investment banking sides of the large US firms such as Goldman Sachs and Morgan Stanley. These companies have built on their strengths in the US, and managed to expand their expertise into Europe and Asia.

While British investment banks such as tha former S.G. Warburg & Co and N.M. Rothschild & Co maintained their strength in the UK market during the 1980s, their presence in Europe – particularly in Spain, Italy and Scandinavia – has gradually been overshadowed by US competitors.

A feature of the past two years, following the takeover of Warburg by Swiss Bank Corporation and the collapse of Barings in 1995, has been the opening of the UK market to greater competition and the strides made by US investment banks in the largest European economies.

Some of the US investment banks regard their growth in Europe as a strategic necessity rather than an immediate opportunity for profit. "Europe is active, but there are still a lot of clouds," says Mr Philip Keevil, bead of European mergers and acquisitions at Salomon Brothers.

Nonetheless, it remains a key target for Wall Street firms that have downplayed their Asian ambitions as a result of a disappointing experience there during 1993 and 1994. The companies have already gained an edge on European banks.

"European restructuring is taking place. There is a gradual intensifying of the focus of local shareholders on corporate performance and we do not see it letting up. It will create mergers and acquisitions activity," says Mr Tom Ketchum, a managing director of J.P. Morgan.

One arena in which UK investment banks bave maintained their traditional edge is in the business of advising governments and state-owned companies on privatisation. N.M. Rothschild has continued to specialise in this, with competition from Warburg and Barclays' BZW.

Many of the most profitable opportunities in the advisory arena have been in specialist areas such as technology banking, or financial institutions. In technology, this has led to the acquisition of Robertson Stephens, a specialist investment bank, by Bank of America.

More broadly, the top of the merger and acquisitions cycle has again proved a fertile period for specialist boutiques to sell out to larger banks. In London. National Westminster Bank bought Hambro Magan, while Donaldson, Lufkin & Jenrette bought Phoenix Securities.

Some of the willingness of small firms to sell out may stem from anticipation of the downturn to come. Banks such as J.P. Morgan bave benefited not only from their capital strength, but from the ability to place stronger emphasis on other activities during lulls in the mergers business.

Nonetbeless, such banks are now carrying considerable platforms of specialist expertise, and tha accompanying costa. Inveatment banka auch as Salomon Brothers have been recruiting strongly to make up for lost time in the early 1990s, and this has contributed to rising wage levels.

"We have a shortage of people in the US, and yet we need to invest in Europe. We feel as if we are incredibly understaffed at the moment, but it is probably the right way to be because you are more careful about using resources," says Mr Keevil of Salomon Brothers.

Some of the rising costs are due to industrial specialisation, as investment banks place greater emphasis on expertise. "The days of the senior banker putting his arm oround a chief executive and saying 'It's time to do this' are fading," says Mr Rattner.

Yet the upshot is that corporate finance operations may find it painful to face tba downturn when it comes. "I don't tbink tbat peoplo are generally complacent. Even the people who were not around 20 years ago know it la a cyclical business," says Mr Rattner.

The largest and best established operators insist the newcomers and niche operators will suffer first. "People have cut margins to show they are in business. What will happen to all the wannabees when tbe shake-out comes?" asks Mr Perella of Morgan Stanley.

For tbe moment, that remains an imponderable question. The concern of most Wall Street operations is how to find enough qualified investment bankers to execute their growth plans. They know it cannot last forever, but for the time being it will suffice.

**US: MERGERS AND ACQUISITIONS** • by Tracy Corrigan

# Growth industry

## The economy is healthy and business confidence is running high

Despite some jitters in the stock market earlier this year, the US mergers and acquisitions business is moving at a record pace.

In the first quarter of 1997, acquisitions of US companies totalled $188bn, more than 50 per cent higher than in the same period a year ago, according to Securities Data, which tracks deals. And as of early June, the value of US acquisitions - already more than $300bn - is running ahead of last year's flow.

The reason is an almost uncanny coincidence of conditions and pressures which are driving mergers and acquisitions in almost every sector of the US business arena. Most fundamentally, the economy is healthy and business confidence is running high.

"The general fuel to the fire is that economic conditions are good and people are more optimistic than pessimistic," says Mr Eric Gleacher, chairman and chief executiva officer of Gleacher NatWest. "People don't buy cheap, they buy expensive. When things are bad, they want to sit back and wait." He also believes thet US business culture is particularly geared to acquisitions. "The personality of this part of the world is such that people are always looking at ways to grow bigger and faster."

However, while stable economic conditions are broadly favourable for US business, they are not conducive to rapid earnings growth. Economic growth appears to be stuck in the low single digits, and inflation is almost non-existent. This makes it very hard for US companies to achieve anything like the double-digit earnings growth most investors hope for – even when foreign earnings from faster-growing economies help boost the numbers. According to Mr Ken Wilson, vice-chairman at Lazard in New York, the difficulty of achieving earnings growth throngh conventional means is "probably the single biggest factor" behind the period of rapid growth for M&A.

Yat, because earnings have been strong so far, many companies have lots of capital and can afford to buy those earnings by making acquisitions. Or better still – and this is the favourite wheeze – they can use their capital to buy back shares, thus enhancing the growth of earnings per share by reducing the share base, and make acquisitions by using stock-for-stock mergers. This is possible because despite a few hiccups earlier this year, many companies' shares are highly valned due to tbe strength of the stock market.

In fact, the market's attitude is also a driving force behind deals. While in the 1980s, the shares of the target company typically rallied on news of a deal, the stock of the acquirer usually fell on the assumption – mostly correct – that the acquirer would underperform as it botched the management of the acquisition. In the 1990s, the market has decided to take a more optimistic view of mergers.

This is because the present wave of mergers is driven largely by consolidation, whether as a result of deregulation or because of increasing competition from foreign companies. Deals are motivated as much by a desire to cut costs as to gain market share and increase earnings. And cutting costs, the market believes, may be an easier option.

Currently, "the market is paying for consolidation. Right now America is going through a consolidation craze", said Mr Hamilton James, chairman of Donaldson, Lufkin & Jenrette's banking group. "The big players want to get bigger" in industries as diverse as hospital management, drugs, and financial services.

"There is an assumption that tha business will be rationalised and costs cut. Hard decisions are made," says Mr Wilson. Ha attributes this in part to the "heightened attention paid to shareholder value. [Investors] are making their voices heard and many fund managers have substantial influence."

For example, mutual fund manager Mr Michael Price is widely credited with having sparked Chase Manhattan's acquisition of Chemical Bank after he took a stake in the underperforming commercial bank.

"State pension funds and hedge funds have become catalysts for driving transactions," said Mr Wilson.

Spin-offs and demergers have had less critical snccess. A recent Wall Street Journal article, for example, highlighted the poor performance of many epin-off strategies, snch as AT&T, which spun off NCR and Lucent but is still in trouble and could be about to make a record $50bn acquisition of SBC Communications. Despite some troubled recent history, Mr Wilson insists that spin-offs can be a useful way to create greater management focus and peer plays.

In many sectors, the drivers of competition and consolidation are sparked at least partially by deregulation. In sectors ranging from banking to media, the gradual and sometimes rapid erosion of regulatory barriers is changing the nature of industries, and bringing new opportunities but also new threats.

"We have had a huge deregulation wava in the US," said Mr Joel Cohen, managing director of M&A at Donaldson, Lufkin & Jenrette, citing sectors such as telecoms, utilities and financial institutions. And in those sectors "we still have a long way to go", he added.

Mr Gleacher, for example, belleves that publicly-quoted, independent US investment banks will disappear following the weakening of rules governing the ownership of investment banks by commercial banks. "The commercial banks have market values 10 times the investment banks. There's no risk for them in doing these deals," he said, describing BankAmerica's acquisltion of Robertson Stephens and Bankers Trust's purchase of Alex Brown as "very smart."

So when will the rapid growth end? Not until, investment bankers agree, the economy slips and real inflationary pressures gather. Despite high stock prices, the end is not yet in sight.

**M&A advisers: US targets (1st quarter 1997)**

| | Value ($bn) | Mkt share % | No of deals |
|---|---|---|---|
| [illegible] | 73.0 | 38.9 | [illegible] |
| 2 Goldman, Sachs | 68.1 | 36.3 | 48 |
| [illegible] | [illegible] | [illegible] | [illegible] |
| 4 Credit Suisse First Boston | 34.5 | 18.4 | 17 |
| [illegible] | [illegible] | [illegible] | [illegible] |
| 8 Lazard | 22.2 | 11.8 | 19 |
| [illegible] | [illegible] | [illegible] | [illegible] |
| 8 Salomon Brothers | 17.4 | 9.3 | 12 |
| [illegible] | [illegible] | [illegible] | [illegible] |
| 10 Lehman Brothers | 13.9 | 7.4 | 23 |
| [illegible] | [illegible] | [illegible] | [illegible] |
| 12 JP Morgan | 8.2 | 4.4 | 18 |
| [illegible] | [illegible] | [illegible] | [illegible] |
| 14 Dillon, Read | 6.3 | 3.4 | 5 |
| [illegible] | [illegible] | [illegible] | [illegible] |
| 16 Smith Barney | 5.5 | 2.9 | 15 |
| [illegible] | [illegible] | [illegible] | [illegible] |
| 18 Alex Brown & Sons | 3.7 | 2.0 | 25 |
| [illegible] | [illegible] | [illegible] | [illegible] |
| 20 Grenhill & Co. | 2.1 | 1.1 | 2 |
| [illegible] | [illegible] | [illegible] | [illegible] |

Source: Securities Data Company



**PROFILE** Frank Quattrone

# One of the financial stars of Silicon Valley

## The question is whether institutions or personalities count for more

More than just the return to investors is banging on the share price of Amazon.com, currently tottering precariously above the $18 at which the internet bookshop's initial public offering was priced last month. At stake also is the reputation of Mr Frank Quattrone, chief executive of DMG Technology, the subsidiary of Deutsche Bank, which led the issue.

Investment bankers always prosper or fail on the performance of the deals which they manage, but the Amazon deal matters more than most. It is a crucial test for one of Silicon Valley's financial stars at a time when his career is on the line. And the performance of DMG Technology will help answer two crucial questions: can new entrants break into the high-tech investment banking market, and do the personalities of bankers count for more than the brand of the institutions for which they work?

Mr Quattrone, former head of technology banking at Morgan Stanley, has been a central figure in Silicon Valley for more than a decade. But his career has had broader significance since April 1996, when he defected from the Wall Street bank. It was surprising enough that he should leave the bouse which had led public offerings as notable as Netscape's in 1995, and which had, along with Goldman Sachs, made the greatest inroads into the high-tech sector.

Even more shocking was Mr Quattrone's destination: Deutsche Morgan Grenfell, the investment banking arm of Deutsche Bank. Mr Carter McLelland, head of Deutsche Bank in North America, was one of Mr Quattrone's patrons at Morgan Stanley, and Deutsche Bank was Europe's largest bank, but the Frankfurt-based bank was relatively unknown on the West Coast.

"It was an earthquake," says Ms Cristina Morgan, a friend of Mr Quattrone and head of investment banking at Hambrecht & Quist, the San Francisco specialist investment bank. "Morgan Stanley's belief was that Morgan Stanley bankers carry the best card in the world. Frank had decided that the personas were the reason for success."

There are several reasons for thinking Mr Quattrone will make it. First, he carried with him from Morgan Stanley the most notable personalities: Mr George Boutros, head of mergers and acquisitions at DMG Technology, and Mr Bill Brady, head of corporate finance. And individuals, particularly in winning work advising on mergers and acquisitions, do matter. DMG advised Ascend Communications, tha networking equipment maker, in the $3bn bid it announced in March for Cascade Communications.

"If anyone has a personal franchise, Frank does," says an investment banker from a rival firm. "They have had extraordinary success in M&A. That business has left Morgan Stanley and gone to DMG."

Second, the experience of Mr Quattrone, who remembers how in 1983 any company with a Q or an X in its name could raise cash, should inoculate them against the enthusiasm that periodically infects the sector. This matters because, although it is investors who suffer directly if an IPO falls below issue price, the long-term profitability of a given relationship depends on the client's prospects. It is not uncommon for follow-on deals to generate 20 times the fees from the IPO. "If you pick the wrong companies to go after, it is a complete disaster," says Mr Quattrone.

Third, the structure of DMG Technology, which has a large degree of financial and operational autonomy from the Deutsche Bank group, may be well suited to retaining key staff in the fevered job market of Silicon Valley. Whilo profitable practices within large investment banks often subsidise less lucrative activities, remuneration at DMG Technology is designed along the lines of a high-tech start-up: executives will take a large but undisclosed portion of operating profits.

Finally, Deutsche Bank has deep pockets. Mr Quattrone says, for instance, that Deutsche Bank provided a "backstop" to Amazon.com, offering to buy shares if financial investors shunned the company. Although some smaller rivals disdain the use of capital to secure business, which they say reflects poorly on an investment bank's skills in distributing equity, Mr Quattrone is unashamed. "We have it, we are willing to use it," he says.

However, DMG Technology has one great and potentially fatal weakness: equity distribution. Although DMG has hired analysts such as Mr Bill Gurley – whose internet research leads one venture capitalist to dub him a "rock star" – it failed to persuade any of Morgan Stanley's top-rated analysts to defect.

Moreover, CJ Lawrence, Deutsche Bank's US equities business, is smaller than the distribution networks of rivals such as Morgan Stanley or Merrill Lynch. Its equity sales staff are less knowledgeable about technology than their counterparts at specialist banks such as H&Q.

Boosted by fees on M&A advisory work, Mr Quattrone says DMG Technology, loss-making last year, is on track to bring in $100m in revenues in 1997. But the longer term is more doubtful. Today's start-up going public is tomorrow's client for M&A advice. DMG needs to win more IPOs such as Amazon's. An M&A boutique, even if DMG lowered its ambitions, is not a viable role.

Frank Quattrone: reputation at stake

**Nicholas Denton**

**US: EQUITY CAPITAL MARKETS** • by Jane Martinson

# Buds bloom late in May

## There are signs of life in a market that has appeared moribund for months

Spring came late for those involved in raising money on the US equity capital market this year.

It was not until May that the market started budding again with several high profile and successful deals. The initial public offerings (IPOs) of companies such as Hartford Life, the insurance company, have provided signs of life in a market that has appeared moribund for months.

The money raised in the first five months of this year through IPOs, in which companies list on the market, or secondary issues, in which established groups issue shares to raise money, is some 30 per cent below last year, according to research by Securities Data, which tracks the market. The performance gap was greatest in March and April when the $11.3bn raised this year was less than half that raised in 1996. Even the improvement in May was some 40 per cent down on the $14.8bn raised in the same month last year.

There are several reasons for the weaker performance of the equity capital raising so far this year. First, the comparison is with a bumper year in 1996 during which $115bn was raised, the highest amount during the past six years, and funds benefited from the "irrational exuberance" of the market.

Perhaps the main reason for this year's downturn in the IPO market, however, is the changing fortunes of tha technology sector. The high-tech industry prompted not only much of last year's achievements but also the apparent difficulties of the early part of this year.

Mr Brad Koenig, managing director of Goldman Sachs's technology group, says that high-tech companies have accounted for roughly half of the money raised through IPOs over the past two years. The rush of high-tech stocks to the market last year belped IPO proceeds come fairly close to the $65.4bn raised for secondary issues last year. In the first five months of 1997, the money raised from inittal offerings is just half the $24.5bn raised from blue chips issuing shares.

The reason IPO activity declined in March and April was that "the general technology market suffered a meltdown in valnations", says Mr Koenig.

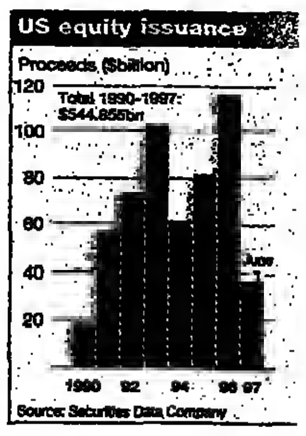
Ths technology-driven Nasdaq composite index and the Russell 2000, the index of smaller companies, have both underperformed the S&P 500 index of blue chip companies since the beginning of this year. Smaller companies have been hit by both tbe flight to safety which has characterised the remarkable US bull market and untimely profit warnings. Some analyets also blame the Federal Reserve's decision to lift interest rates in March, a move which tends to hit high growth stocks first.

In the atmosphere of decline eeveral investment bankers took the decision to postpone all but the largest or most necessary IPOs. Goldman Sachs for example, which came top of the league for US equity underwriting last year, decided to keep several technology companies "taxiing on the runway" while the "window was shut" in March and April. The widely anticipated IPO of Auto-by-Tel, the internet retailer, was also postponed.

Investment bankers have been tempted back into the market as the Nasdaq and Russell 2000 indices have rallied since the beginning of May.

Yet, companies which have been brought to the market are typically those with an established name or some history. This is partly a reflection of demand and the bearish tone that much of the investment in the long bull market has taken.

Mr Duff Anderson, managing director of equity capital markets at Donaldson, Lufkin & Jenrette, says that the year has been characterised by a demand for companies which have "demonstrated consistent earnings growth" and which are ultimately valued at more than $100m. "Liquidity is critical in this market," he adds. "Investors want liquid stocks in case of a downturn." Companies which survived the March-April slowdown included Hertz, the world's largest car rental business.




Goldman Sachs points to LHS Systems, an established German software group, as one which has done well since listing in May. Mr Koenig says: "There is a real emphasis on the higher quality, more consistent, more proven companies."

While the fortunes of the technology sector have affected the equity capital market, secondary issues have also been subject to a changing marketplace. Mr Scott Siprelle, managing director of equity syndication at Morgan Stanley, says that there has been a shift towards more "strategic" equity issues. Money is being raised to finance acquisitions, for example, or to help restructure operations. Lucent, the telecommunications equipment arm spun off from AT&T in a $3bn IPO last year, is a good example of the latter.

Mr Anderson at DLJ also describes mergers and acquisitions as "a great catalyst" for equity raising over the past year or so.

The trend contrasts with the period at the beginning of the decade when more money was raised to repay debts accrued during difficult years. "After six years of economic expansion most companies are in a strong financial position," says Mr Siprelle. "Five or six years ago, refinancing in the US had to do with repairing balance sheets."

This strategic nature of much equity raising partly explains why sectors such as manufacturing, utilities and services were the most active in raising money last year, according to Securities Data. The second most active sector in 1997 so far has been Real Estate Investment Trusts, an industry which has been transformed in recent years either by going public or through acquisitions. Several worldwide privatisations have also helped the US secondary issue market.

A final reason for some of this year's downturn relates to the changed behaviour of mutual funds. Mr Anderson says that "very, very strong" mutual fund flows over the past two years were directed into growth companies, or IPOs. "This isn't going to be like last year, partly because the money flows have changed," says Mr Anderson. "More and more people are trying to mimic the market through index funds rather than growth funds."

With the market scared of a downturn in spite of the record-breaking achievements of the US stock market, this trend could continue until the end of the year.

**TECHNOLOGY BANKING** • by Nicholas Denton

# Victims of their own success

## IT has become one of the most lucrative investment banking markets

Harm – the ecronym given by larger rivals to four of the investment banks which specialise in high-technology companies – has been abbreviated. Alex Brown and Robertson Stephens, tha banks which represent the secood and third letters of the group, have sold out to larger banks. The independence of the two that remain, Hambrecht & Quist and Montgomery Securities, is inevitably in qnestion.

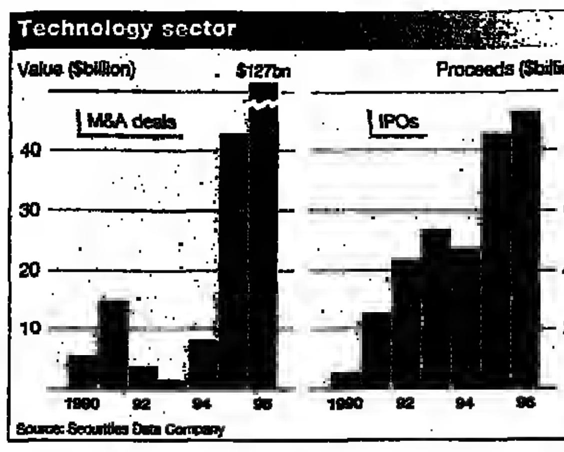
On the face of it, Silicon Valley, which uniquely supported a range of specialist investment banks, is becoming like other industries: serviced by well-capitalised banks with international networks. Nevertheless, the financial skills required by high-tech companies will continue to mark out its bankers.

The Harm banks are victims of their own success. Information technology, which represents 12 per cent of US gross domestic product, has become the largest in the US. As well as being fast growing, it is fast changing. "I don't know of what industry you can say there has been a creeping hostile takeover by newcomers," says Mr Frank Quattrona, chief executive of DMG Technology, part of Deutsche Bank. This all makes for e lucrative investment banking market. High-tech initial public offerings (IPOs) and acquisitions generate at least $1bn a year in revenue.

The growth of high-tech has underpinned the expansion of the boutiques. H&Q, Robertson and Montgomery all trace their origins to San Francisco in the late 1960s, when the computer companies such as Intel growing to the south in Silicon Valley began to require funding.

But the high-tecb boom has attracted larger competitors. Morgan Stanley and Goldman Sachs, two of the leading Wall Street firms, made inroads in the 1980s. Their prestige allowed them to pick soma of the most alluring IPOs.

Other banks, including some which abandoned the sector during the relative underperformance of high-tech stocks between



Source: Securities Data Company

1983 and 1990, have joined the fray in the 1990s. For instance, Merrill Lynch, with 50 staff dedicated to high-technology, has quadrupled the size of its group since last August.

As well as the Wall Street bouses, European banks sucb as Deutsche Bank of Germany and UBS have sought to make high-technology the bridgehead for their assault on the US investment banking market.

"In the early 1980s, San Francisco was a banking outpost," says Mr Robert Valdez, bead of West Coast mergers and acquisitions at Cowen & Co, a specialist bank. "Now, most firms are deploying their best people in San Francisco. Within 10 blocks there are 700-800 investment bankers. It makes the city one of tha world's top half dozen investment banking centres," he says.

The entry of new investment banks into the high-tech sector has intensified competition. Bankers report that pitches for business, which once might have attracted three bidders, sometimes attract three times that many.

The contest for mandates is not reflected so much in fees: an IPO still pays investment bankers tha traditional 7 per cent of the value of the issue, higher than the 3 per cent norm for international privatisations. But high-tech clients, conscious that investment bank research promotes interest in their stock, are increasingly splitting these rewards among several banks to ensure they are followed by several analysts.

Investment bankers are therefore having to work harder for their money. "A lot of people predicted erosioo of the 7 per cent fee," says Ms Cristina Morgan, co-head of investment banking at H&Q. "But what clients are doing is putting more people on the cover [of a prospectus]. Everybody'a resources are stretched."

One solution to this imbalance is for some of the banks to drop out. For Wall Street firms such as Merrill Lynch, despite the downturn in technology IPOs since the climax of hype about the internet in May 1996, the sector is now simply too important to ignore.

That puts the pressure on the boutiques, which are particularly dependent on an IPO market which appears beyond its peak. In April, Bankers Trust said it would pay $1.7bn for Alex Brown, a small investment bank based in Baltimore with a well respected technology franchise. Then, earlier this month, BankAmerica, a leading commercial bank based in San Francisco, agreed to pay $540m for its neighbour Robertson.

There may be more consolidatioo to come. The top 131 technology companies alone, according to DMG Technology, have e market capitalisation of $1,000bn. These established giants, such as Microsoft and Cisco Systems, have needs such as debt financing and advice on acquisitions, which banks with large capital bases and international networks can best supply. "The strategic challenge we face is that our clients are becoming the Fortune 500," says Mr Chip Vetter, a managing director in corporate finance at Robertson. However, there are several reasons for thinking that the technology sector remains sufficiently distinct to warrant its own breed of investment banker.

First, the high-tech industry is concentrated in Silicon Valley. Since a venture'a success so much depends oo the character of the entrepreneur at its head, proximity counts. That is why even the most Wall Street of banks base their high-tech practices in San Francisco or even to the south in Menlo Park, where the venture capital backers of start-ups congregate.

Second, the typical client is an entrepreneur. For the investment banker, therefore, relative youth and a scientific education are advantages. "A 52-year-old banker who bas worked on paper products is just not going to connect with a 28-year-old entrepreneur," says Mr Vetter of Robertson.

Third, investors need information technology explained to them. A company looking for a bank to take it public will usually weight the quality of the bank's analyst above any other factor. The primacy of research is better reflected at boutiques such as Cowen & Co than in Wall Street houses dominated hy stockbrokers or corporate financiers. "Research has a strong political position at Cowen: all the top officers were formerly analysts," says Mr Valdez.

Finally, corporate financiers and sales people have to be nearly as well-versed in techoology as the analysts. "The CEO does not have time to sit down and explain the difference between an application or an operating system," says Ms Morgan of H&Q.

For all these reasons, the wiser global investment banks may allow their high-tech bankers more leeway than they would normally give, to permit them to develop or preserve a distinct culture. The high-tech practices of the new global "bulge bracket" – the successful ones at any rate – may resemble the boutiques which are now being swallowed up.

**IPO: top technology bankers**

| 1996 - June 12, 1997<br>Rank | Adviser | Value $ m | Market share % | No. of deals |
|---|---|---|---|---|
| 1 | Morgan Stanley Dean Witter | 2,262.8 | 18.6 | 22 |
| 2 | Goldman, Sachs & Co | 2,148.6 | 17.7 | 25 |
| 3 | Alex Brown & Sons | 1,204.4 | 9.9 | 25 |
| 4 | Montgomery Securities | 617.5 | 5.1 | 16 |
| 5 | Hambrecht & Quist | 598.2 | 4.9 | 19 |
| 6 | Robertson Stephens | 462.6 | 3.8 | 12 |
| 7 | Donaldson, Lufkin & Jenrette | 395.0 | 3.2 | 7 |
| 8 | Lehman Brothers | 390.1 | 3.2 | 12 |
| 9 | Dillon Read | 354.9 | 2.9 | 2 |
| 10 | Cowen | 292.0 | 2.4 | 10 |

Source: Securities Data Company

**M&A: UK January 1996 - March 1997**

| | Jan - Mar 1997 No. | Jan - Mar 1997 Value £m | Jan - Mar 1996 No. | Jan - Mar 1996 Value £m | 1996 No. | 1996 Value £m |
|---|---|---|---|---|---|---|
| UK public companies acquired * | 25 | 6,624 | 18 | 5,683 | [illegible] | 23,424 |
| UK private companies acquired * | 202 | 2,298 | 157 | 1,627 | 1,083 | 19,246 |
| UK divestments | 92 | 1,745 | 145 | [illegible] | [illegible] | 13,226 |
| Total | 319 | 10,667 | 320 | 8,807 | 1,669 | 55,896 |
| Management Buyouts ** | 59 | 635 | 60 | 425 | 312 | 3,636 |
| UK companies acquiring in continental Europe | 45 | 1,638 | 58 | 1,479 | 244 | 6,516 |
| UK acquisitions of US companies | 39 | $800m | 36 | $5,199m | 145 | $9,744m |

* Includes buyouts ** Already included in figures as indicated

Source: Acquisitions Monthly/ Amdata

**UK: MERGERS AND ACQUISITIONS** • by John Gapper

# Fireworks fizzle out in quiet period

## Business has died down this year after what was a fantastic run in 1996

In an exceptionally active period for corporate finance in tbe developed world, Britain bas been going through a reletively quiet time. In contrast to the fireworks of 1996, there has been a pause for companies and advisers to catch tbeir breath.

"Bankers are not going to admit it because they are pitcbing for many things, but you only have to look around to see that business is down a bit at the moment after what was a fantastic run," says Nigel Higgins, a director of N.M. Rothschild & Sons.

This quiet period is partly due to political uncertainty. Ooe of the most reliable sectors for merger and acquisition activity during 1995 and 1996 was utilities, but in the run-up to the general election in May there was a lull as companies awaited the result.

It is also partly due to a pause in sectors that provided a great deal of activity. An example is financial services in which mergers such as that of Lloyds Bank and TSB Group and takeovers of Britisb investment banks have not been repeated.

Finally, it is partly dus to tbe higb level of the UK stock market. With equity values at historical highs, it has become increasingly difficult for companies to contemplate anything but agreed mergers in which goodwill does not have to be written off.

"The volume of transactions that we have worked oo is slightly higher than this time last year, bnt things have not been as noisy in terms of cootested takeovers," says Mr David Verey, chairman of the merchant bank Lazard Brothers.

For all that, there have been a number of high profile mergers, such as the recently announced daal between Grand Metropolitan and Guinness. UK companies have also been active in the US, as in British Telecom's purchase of MCI.

The pause in activity has been accompanied by a lull in some of the longer-term trends within the industry. Most notably, specialist UK houses such as Lazard Brothers and Baring Brothers have maintained and reinforced their market share.

Although there has been a movement towards integrated investment banks over time, the structure of tha UK market has not been changing rapidly, says Mark Seligman, co-head of investment banking at BZW, Barclays investment bank.

Mr Guy Dawson, co-head of European investment banking at Merrill Lynch, tbe US investment bank, says that after a period in whicb relationships between companies and banks weakeoed, relationship banking has re-asserted itself.

Nonetbeless, tbere has been plenty of competition for business among a broader range of investment banks. The weakening of the dominance of S.G. Warburg after its 1995 acquisition by Swiss Bank Corporation has presented opportunities.

Some of the business has passed to other traditional UK houses such as Schroders and Barings. However, there have also been opportunities for banks such as Merrill Lynch and Union Bank of Switzerland that have been trying to expand.

The past year has seen a consolidation of the boutique mergers and acquisitions houses that have achieved a strong presence in the UK market in recent years. Both Phoenix Securities and Hambro Magan sold to large banks at high prices.

This is partly a sign of the buoyancy of both tha UK stock market and the mergers and acquisitions business, allowing the directors of these companies to reap rewards. Yet these companies also say it was e logical time to throw in their lot with big businesses.

Mr Alton Irby, now deputy cbairman of NatWest Markets' corporate advisory arm as a result of NatWest's purchase of Hambro Magan, argues that the boutique needed e link with a strong equities operation to make the most of established relationships.

"We found that we were playing with an old football, and now we have got a new one that is full of air," says Mr Irby of the experience of working with NatWest Markets' global equities arm, which is now being run by Mr Tom Whelan.

The relative strength of integrated banks benefits the US banks that continue to mount a strong push on the UK market. "One of the facts of our lives is that American imperialism is a strong force in investment banking," says Mr Verey.

Some American techniques can be costly for thosa that are forced to adopt them. The US emphasis on industrial specialism within corporate finance departments has been successful in gaining business, but makes the cost base less flexible.

For now, that does not matter much to the banks attempting to compete in the UK market. However, a more prolonged downturn in business could expose those that bave expanded their operations to a period of discomfort and hardship.

Yet the UK bouses remain optimistic about tbeir chances. "You may bava industry specialisation and expertise in capital markets, but it is extremely hard for anyone to beat a solid record in actually having done a lot of deals," says Mr Verey.


David Verey: less noisy in terms of contested takeovers

**FRANCE: MERGERS AND ACQUISITIONS** • by Andrew Jack

# Vintage year for bankers

## The frenzy of the past 18 months has meant substantial fees for institutions

It may still be too early to tell whether 1996 was a good year for French wine, but it is already clear that it was a very fine one indeed for the country's investment bankers. The outlook for 1997 and beyond looks rather less certain.

With many French companies holding back from investing and remaining relatively cash-rich, the capital markets offered scope for sophisticated financial prodncts including some ambitious securitisation issues, but relatively few high volume transactions.

On the other hand, the key CAC-40 index of leading quoted companies performed well, encouraging both domestic and foreign investors into the equities market and luring a number of groups to take advantage of the situation to launcb significant operations.

After previous abortive attempts since 1994, Assurances Générales de France, the state-owned insurer, was privatised, in an offer that was over-subscribad. The French government also capitalised on the state of the stock market to reduce its stake in Renault, the car manufacturer, to less than 50 per cent, and to sell a number of its minority boldings, such as a block of shares in Elf, the petroleum group.

The rhatoric if not the reality of corporate governance and sharebolder value pushed a number of big groups to launch a series of restructuring operations, ceding their "non-core" businesses and helping to swell the mergers and acquisitions market. Examples included the giant Générale des Eaux under its yonthful new chairman Mr Jean-Marie Messier, as well as Alcatel and Rhone-Poulenc.

At the same time, French groups made acquisitions in what they perceived to be their core activities, often across national boundaries. LVMH, the luxury goods group, bought e controlling stake in Duty Free Shoppers, based in the US. And Crédit Local de France, the local euthority lender, launched a merger with Crédit Communal de Belgique, to form the combined group Dexia.

Some of these transactions took the form of management buy-outs or sales away from the vagaries of the stock market – such as the decision of Suez, the flagship French conglomerate, to cede control of Banque Indosuez to Crédit Agricole, the huge mutual bank.

Other deals were extremely large and very public, notably the all but unprecedented spectacle in spring last year of a hostile bid by tha privately-held retailer Anchan for its qnoted rival Docks de France. The bid, which turned friendly after a failed search for a "white knight" and a modest face-saving increase in the tender offer, was successful.

Even more significant, Axa, the insurance giant, last November launched a friendly takeover for its competitor UAP which could ultimately cost FFr41bn, creating in one swoop tbe world's aecond largest insurer by premiums and the second largest asset manager.

Tha trend continued into the early part of 1997, with Générale des Eaux and Alcatel restructuring their participations in Havas, the media gronp, and Canal Plus, the pay television chain in which it became the largest shareholder.

Then Suez, which had been making itself more attractive by reorganising and selling assets and businesses, annonnced this apring a long-rumoured merger with Lyonnaise des Eaux, the utilities giant.

The French government even leapt on to the bandwagon, launching a highly unusual takeover bid via the Caisse des Dépôts, the state-controlled financial institution, for Crédit Foncier de France, the specialist property lendar. Eveo if its action was designed as a short-term emergency rescue operation, and the existing shareholders complained bitterly about the low offer price.

The current position is more uncertain. France's newly-elected socialist government has theoretically pledged to cease its predecessor'e privatisation programme. That means at the very least a delay in the partial sell-off due this summer of France Telecom, not to mention tha longer-term prospects for Air France and other state enterprises.

Let alone the intansely political sales of GAN-CIC, the insurance and banking group, and tha restructuring of the French defence sector, notably covering Aerospatiale, Dassault and Thomson.

Howaver, the frenziad activity of tba past 18 months has meant very good news and substantial fees for French investment banks.

But one noticeable trend was the growing power and influence of institutioos with headquarters in other countries, whetbcr Germanic, such as Deutsche Morgan Grenfell, or US-based, including the long-established JP Morgan.

One corporate finance league table even mischievously suggested that the US bank Goldman Sachs had had the impudence to dislodge Lazard Frères from its sacrosanct prime positioo. That partly reflected the luck of a number of important deals bappening in a short period of time. The methodology and the specific rankings were also hotly disputed.

But even Mr Michel David-Weill, Lazard's chairman, conceded that the trend was clear. After a period io the 1980s when Lazard went unchallenged, tbe competition has considerably inteosified. "Ten years ago it would have been unthinkable for a foreign banker to be used on privatisations," says Mr Walter Butler, a Paris-based financier. Now, it has become the norm to use Anglo-Saxon institutions working at least aloogside their Gallic counterparts.

In part, that reflects the rise to power in foreign institutions of French executives. But it is equally a result of their growing reputation and expertise, and strong international distribution networks, and a recognition of the need to seek a variety of outside advisers to avoid potential conflicts of interest.

Anglo-Saxon-style capitalism appears to increasingly demand Anglo-Saxon-style institutions. Or at the very least, a sometimes painful and bumiliating adaptation by the French competitors to match their foreign rivals' habits and skills.

**France: M&A financial advisers 1996**

| Rank: 1996 | 1995 | Financial adviser | No of transactions | Value FFR bn |
|---|---|---|---|---|
| 1 | (1) | Lazard Frères | 45 | 166.2 |
| 2 | (5) | Banexi - groupe BNP | 57 | 101.2 |
| 3 | (4) | Goldman Sachs | 9 | 93.5 |
| 4 | (10) | Paribas | 41 | 90.7 |
| 5 | (2) | Rothschild & Cie | 28 | 80.2 |
| 6 | (20) | Morgan Stanley | 16 | 67.3 |
| 7 | (3) | Société Générale | 43 | 53.2 |
| 8 | (8) | JP Morgan | 15 | 47.7 |
| 9 | (11) | Deutsche Morgan Grenfell | 6 | [illegible] |
| 10 | (12) | Cimvest - groupe Crédit Lyonnais | 71 | 43.8 |
| 11 | (16) | CCF | 19 | 29.2 |
| 12 | (6) | Crédit Suisse First Boston | 11 | 21.4 |
| 13 | (9) | Lehman Brothers | 15 | 21.2 |
| 14 | (7) | SBC Warburg | 15 | 15.0 |
| 15 | (23) | La Cie Financière E. de Rothschild | 20 | 9.6 |
| 16 | (19) | Merrill Lynch | 3 | 9.4 |
| 17 | (15) | Union de Banques Suisses | 4 | 6.8 |
| 18 | (22) | Flemings | 8 | 6.7 |
| 19 | (13) | Financière Indosuez | [illegible] | 5.7 |
| 20 | (21) | Baring Brothers | 2 | 2.7 |
| 21 | (-) | Svenska | 2 | 2.4 |
| 22 | (24) | KPMG | 10 | 2.1 |
| 23 | (-) | Coopers & Lybrand Corporate Finance | 10 | [illegible] |
| 24 | (-) | Chase Manhattan Bank | 3 | 1.4 |
| 25 | (25) | Financière de Courcelles | [illegible] | [illegible] |

Source: Fusions & Acquisitions Magazine

**CROSS-BORDER M&A** • by George Graham

# Advisers have little time for a breather

## First quarter deals this year are up more than 70 per cent over the same period last year

After two years of resurgent mergers and acquisitions activity in 1995 and 1996, some European investment bankers might have expected a slowdown this year.

Instead of drawing breath, however, M&A advisers remain busy. Despite some slowing of pace in the UK in the run-up to the May 1 general election, activity on the continent has accelerated.

Cross-border deals in Europa are estimated at £14bn in the first quarter, up more than 70 per cent from tha same period of 1996.

"One of the changes is the move towards concentration on shareholder value on the continent. A lot of that is stimulated hy institutions and iovestment banks talking to companles and getting them to focus on delivering value," said Mr Charles Packshaw of Lazard Brothers, the UK arm of the Lazard tripod.

The three Lazard houses combined topped the tables compiled by the periodical Acquisitions Monthly for leading financial advisers on European cross-border transactions, with 46 deals last year valued at a total of £12bn.

The UK remains Europe's most active M&A market, followed by France, but investment bankers believe that Germany is at last opening up to the sort of industrial restructuring that is likely to yield a considerable flow of deals in the years to come.

"Germany is obviously the biggest opportunity, because it is the biggest ecoöomy and because so littla restructuring has happened there for so long," said Mr Walter Gubert, bead of Europe, the Middle East and Africa for JP Morgan, the US-based investment bank.

German mergers are complicated by the country's corporate structure. Instead of the UK's unified board, which has a clear need for outside financial advice to fulfil its responsibilities to shareholders, German companies have separate management and eupervisory boards, with worker representation on the supervisory board, which results in different interests being considered.

In many contineotal countries, too, offers are formally presented by the company, not by the adviser, as in the UK. But the concept of an outside financial adviser is gaining ground, and the work of the big US-based global investment banks in cultivating the market is starting to bear fruit.

Local private banks which have been trying to build their corporate finance advisory activities, far from resenting the intrusion of the US giants, are grateful for the way they have changed attitudes among German corporates to advisory work.

"The American banks bave developed the market, and we are very glad," said one Frankfurt banker.

"It was vary difficult in the 1970s to make a living in this line of business because no industrial client was willing to pay a fee for investmeot banking advice, and basically you had to make up for that with other banking business."

But Germany remains a difficult market for M&A, and particularly for hostile bids. Krupp Hoescb's aborted bid earlier this year for Thyssen, its steel-making and engineering rival, provided an indication of how difficult it still is for a hostile bld to prevail in Germany against the power of politicians and trade unions.

Krupp's bid was audacious, in that the target was much bigger than the bidder. It was also a bonanza for the investment bankers, since Krupp appointed Deutsche Morgan Grenfell, Dresdner Kleinwort Benson and Goldman Sachs to advisa it, although Goldman is more generally regarded as a defence specialist. Thyssen capped that by appointing no fewer than four advisers: CSFB, JP Morgan, Morgan Stanley and SBC Warburg.

Not only dld the bld fail to come off, but it also brought tens of tbousands of angry steelworkers to demonstrate outside Deutsche Bank's twin towers in Frankfurt.

It also exposed the complications of Germany's interlocking financial relationships, with DMG advising Krupp, even though its own directors sit on tha supervisory board of Thyssen.

Nevartheless, investment bankers foresee that the pressures to consolidate, restructure and produce better returns for shareholders will continue to drive M&A ectivity in Germany.

Some bankers are hopeful, too, that recent decisions by EU industry ministers to giva the European Commission wider powers to vet cross-bordar mergers for competition issues will mean fewer deals run into problems in Germany, wbere the Kartellamt is wldely regarded as very bureaocratic, or in France, where netionelism still welghs heavily in many deals.

Across the continent, consolidation pressures are evident, with sectors such as financial services particularly under the spotlight.

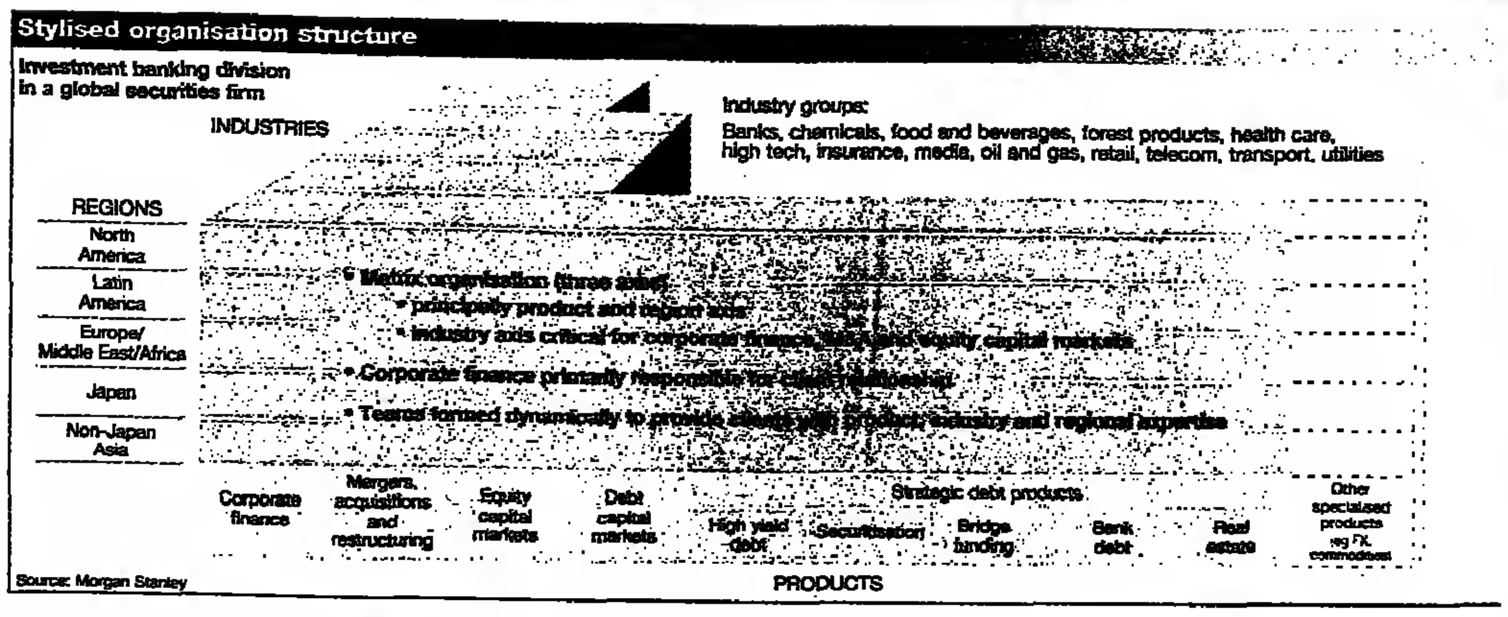
Scandinavian banks have beeo active ln racent montbs, and more are starting to regard cross-border bids as potentially viable, as shown by Den Danske Bank's $283m takeover of Ostgota Enskilda Bank, Sweden's last remaining provincial bank.

Opinions differ over how quickly European monetary union will lead to integration in the EU financial services induatry, with few expecting retail banking markets to be affected immediately. Nevertheless, the imminent introduction of the euro is increasing expectations of Europe-wide consolidation.

But the biggest obstacles to mergers in Europe are not the practical difficulties of completing a deal but tbe virtual impossibility of carrying out the sort of ratiooalisation, with accompanying job losses, that is needed if such mergers are to make financial sense.

"Europe needs more mergers and restructuring, and it's a great pity that it is being slowed down by the lack of flexibility in the labour market," said Mr Gubert of JP Morgan.

Stylised organisation structure




Source: Morgan Stanley

**STRUCTURE OF INVESTMENT BANKS** • by William Lewis

# Three-D approach wins clients

## The trend is towards specialists because they have a better chance of gaining work

**Few clues about the changes taking place in the organisation of investment banks can be found in Crawford's, the self-styled directory of City connections.**

UK investment banks have for years fought to ensure that their names are included in Crawford's as the nominated financial advisers of leading companies.

Traditionally employers of generalist bankers rather then industry specialists, UK investment banks still feature prominently as providers of corporate banking advice to the chairmen and chief executives of leading public companies.

In contrast, US investment banks are hardly mentioned at all. Yet, industry specialists at companies sncb as Merrill Lynch, Goldman Sachs and Morgan Stanley are increasingly behind the deals and restructurings involving UK companies.

Furthermore, the extent of their involvement in corporate finance deals is also changing. The integration of corporate finance departments with debt and equity market operations has made US investment banks hungry to be involved in all parts of a deal including the analysis, execution and financing.

"Corporate finance at Morgan Stanley is the network of professionals that listens and talks to clients on a daily basis. What we are about is providing solutions to clients' problems and that is wby we need to offer an integrated investment banking service," says Mr John Studzinski, head of European investment banking at Morgan Stanley.

All tbe principal US investment banks insist that their organisational structures are unique and more effective than their competitors, but in reality the way they are developing is broadly similar.

The philosophy behind it is that a specialist generally has a better chance of winning work than a generalist. To enhance credibility investment banks are putting in place specialist teams able to talk intelligently to chief executive officers abont their industry, the region in which they do bnsiness and so-called investment banking prodncts such as bridge financing and bank debt.

The structure attempts to bring together these industry, regional and prodnct specialisms with the object of successfully suggesting, funding and implementing deals for corporate clients.

"The structure aims to Involve all parts of integrated investment banks in deals brought in by our bankers," says ooe leading investment banker. "Our aim is to keep feeding our global machine."

Mr Tim Horlick, chief operating officer of European investment banking at Salomon Brothers, describes the structure as a "three-dimensional matrix" and says that "in Europe everyone is trying to run it this way".

Salomon and other US investment banks see the concept of companies declaring a nominated financial adviser as a peculiarly Britisb thing, and view its demise as indicative of wider globai trends in international corporate finance.

"I think there has been a breakdown of the exclusive advisory relationship. If you turn up with a good idea and the company wants to do it, it is unlikely that they will say thank you very mnch and call in the retained adviser to execnte it," Mr Horlick says.

Ms Teresa Miles, who heads Merrill Lynch's media investment team in London, agrees. "Our view is that if you are going to give added value advice to clients you need to know what is going on in their industries."

The matrix structure typically includes the UK as a small, albeit significant, part of a wider European organisation which aims to encourage cross-country deals. There are also strong organisational ties with teams in the US, but Asia is for the most part still treated as a separate entity.

Ms Miles says that the aim of such industry specialists is not to get into Crawford's but to work with country specialists in suggesting and successfully selling deai ideas to clients.

Once achieved, so-called product specialists are brought in to work on the funding and technical implementation of the deal. For example, a merger or acquisition would see an M&A specialist working alongside the industry and country spectalists, while a public offering would involve equity analysts.

"Our view is that being listed in Crawford's is a nice bonus, but it is not tbe benchmark for our performance or our relationship with our clients. It is more important to do a good transaction for the client and demonstrate our capabilities so that the clients want to work with us again."

The three axes of the investment bank matrix are:

■ **Regional/country bankers:** described by Mr Guy Dawson, co-head of European investment banking at Merrill Lynch, as "the relationship managers". Their responsibility is to talk regularly with clients in their geographical patch. "The point is that they are part of the community, tbey meet their clients regularly," says Mr Dawson. "It is the local flavour and the local execution skills." Mr Christopher Hillyer, vice-president of Merrill Lynch's media group, describes country specialists as the "gatekeeper to the client to a certain extent in some countries. If they have an existing relationship you have to leverage off that".

■ **Industry bankers:** they are seen at most integrated investment banks as tbe linchpins of the deal process. Their job is to dream up and then sell deal ideas to clieot companies. Ideally, industry specialist want clients to approach them with proposals they want implemented. "You want to be the first phone call wben the cbief executive officer says that something is going to happen," says Ms Miles. Once a deal is in train industry specialists normally take on the role of team leader in executing tbe deal. This typically involves co-ordinating with regional specialists and product specialists. "I should be out calling on clients as much as possibie," says Ms Miles. "My role is to come up with original ideas to add value to clients."

■ **Prodnct specialists:** the third part of the matrix typically includes M&A experts, eqnity capital markets, debt capital market and so-called strategic debt products such as bridge funding. Equity analysts, for example, often work closely with industry specialists and M&A experts are brought in to beip with technical aspects of executing deals. "Tbis is tbe clincher, the third leg of the matrix," says Mr Horlick. "If we can get all three engines burning then we are in business," he says.

**PROFILE** **B. Metzler seel. Sohn & Co**

# Family business

## The expected upturn in activity could bring long-awaited rewards

Investment bankers around Europe are in agreement that German corporate activity is poised to take off, as the founders of the country's prosperous Mittelstand companies sell their businesses or pass them on to their heirs, and the larger conglomerates begin at last to focus on bringing value to their shareholders.

That should mean that better times are ahead for Germany's home grown corporate finance specialists. But although the big German banks have expanded their mergers and acquisitions capabilities, building on the skills of the London merchant banks they bought, many of the biggest deals have been pieced together by advisers from global investment banks such as Goldman Sachs, Morgan Stanley and Lazard.

For smaller private banks such as B. Metzler seel. Sohn & Co, a Frankfurt-based institution, however, the expected upturn in corporate activity could be the long-awaited reward for a strategic shift which in some respects is more than a century old.

That is a long time to wait, even for a house such as Metzler, whicb traces its origins to the commercial trading business set up by Benjamin Metzler, a pastor's son from the Vogtland, in 1694. Today, Metzler can claim to be the oldest German bank still in the hands of the founding family.

The dilemmas of a private bank in competition with more heavily capitalised commercial banks is not a new one for Metzler. The bank was already active in tbe government bond market in the 18th century, taking over a 200,000 guilder bond issue for the Elector of Bavaria in 1779 and taking part in Prussia's first government loan syndicate in 1792.

But during the Napoleonic era, Metzler withdrew from government bonds because they offered inadequate returns, and as the 19th century went on, it curtailed its current account and banking loan activities.

After the secoud world war, Metzler's move away from balance sheet activities towards a concentration on advisory and securities business intensified. The group abandoned any attempt to be a "house bank" offering a full range of banking services to its German corporate clients, and modelled itself instead on a UK merchant bank serving institutional and overseas clients.

The principal objective of Metzler's partners was and still is to remain independent, and that priority has driveu the move away froor lending. The partners also remain convinced that they need to concentrate on their home turf in Frankfurt. There are Metzler outposts in Munich, Dublin and New York, but the bank has resisted the urge to open branches around Germany.

Besides asset management for institutions and wealthy individuals, and foreign exchange and equities broking, Metzler has built up one of the largest home-grown German corporate finance advisory businesses.

Mergers & acquisitions are not an activity with a long tradition in Germany, but Metzler has in some ways been helped by the entry of the big US investment banks, which have helped to develop a market in which companies are more willing to pay for independent corporate finance advice.

The bank's partners are much too polite to cast aspersions on the independence of the advice offered by the large German commercial banks, yet it is clear that Metzler's autonomy and the fact that it has no interest in lending money to its clients is a selling point.

Unlike the bigger banks, it can claim that it is ready to advise its clients that other banks will perform a particular service better.

Metzler has established a niche in one particular area: the privatisation of public sector services.

It may have had to take a back seat for some of the higher profile privatisations – it was one of several co-managers, not in the lead, for last year's Deutsche Telekom privatisation. But it was lead adviser in the privatisation earlier this year of Deutschbau, a communal apartment buildings company owned jointly by the German government and the German post office. After an extensive bidding process, Deutschbau was sold for DM2bn to a consortium made up of property subsidiaries of the Veba group and Deutsche Bank.

Metzler has made a particular speciality of privatisations of local government services such as waste disposal. The bank has a twofold role in this kind of privatisation, since it must first advise the local government on how to incorporate the activities, and then look for investors.

But cities are under increasing budgetary pressure, and therefore keen to raise money from asset sales where possible. At the same time, they are keen to restructure their municipal services to make them more efficient.

That may not be enough to put Metzler in the same league as Goldman Sachs or J.P.Morgan, but with more than 300 years under its belt, the Frankfurt bank is prepared to take the long view.

**George Graham**

**CASE STUDY** **Cable & Wireless Communications**

# Waiting game pays off

## The four-way merger was the latest development in the cable industry

**Be patient is the lesson for investment bankers from last October's four-way merger between Mercury, the UK telecoms business of Cable and Wireless, and three of the largest cabla groups – Nynex, Bell Cablemedia and Videotron – to create Cable & Wireless Communications.**

The deal took several months and is one of the most complex mergers ever seen in the UK. It involved head-on competition between several of the world'a leading investment banks and cable and telecoms companies.

It was the latest development in the consolidation of the cable industry, which has struggled to attract large numbers of subscribers and has been riven by large losses as its construction programme continues.

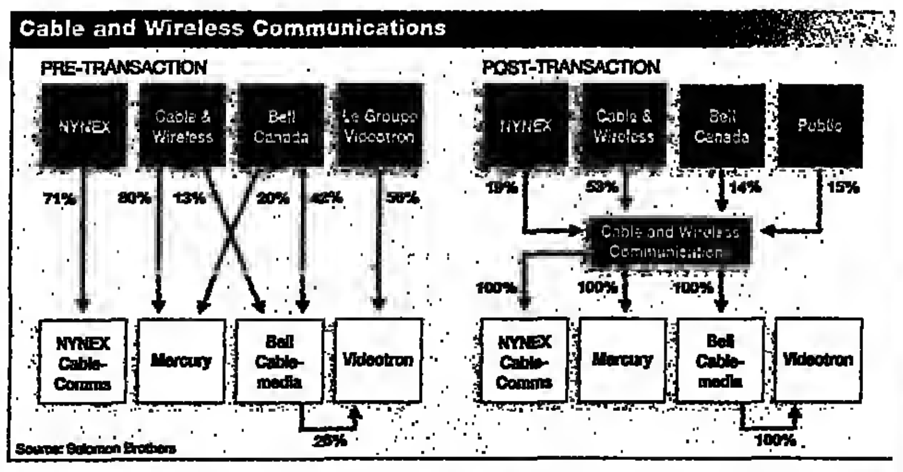
It made the new company, CWC, the largest cable and communications group in Britain. Its aim is to provide a one-stop shop embracing a range of services involving mobile telephones and Internet access.

Mr Paul Ward, the director of Salomon Brothers, which advised Bell Cablemedia, says: "At times it was hairy and the thing was a roller-coater whicb went on for several months. There were swings up and down, but in the final analysis for the peopla and companies involved it was the rigbt deal."

For Mercury, which faces stiff competition in the long-distance telecoms market, it meant access to a local network and the potential 6m cable customers in the three groups' franchises.

The loss-making cable groups, on the other hand, which had suffered from a lack of financial muscle and focus, were put into a national network with the backing of the telecoms giant Cable and Wireless.

Cable and Wireless Communications




Source: Salomon Brothers

"In essence, Cable and Wireless and others involved in the deal at the end took the prizes by moving more quickly," says Mr Ward.

The saga began with Videotron Holdings, at the time one of the UK's seven publicly qnoted cable companies, being put up for sale in February 1996 by its parent company, Le Groupe Videotron, Canada'a third biggest cable television operator and the owner of a 56 per cent stake in the UK company.

Bell Cablemedia, at that time the UK's third largest cable group and 13 per cent owned by Cable and Wireless, had 26 per cent of Videotron Holdings and was, according to Mr Ward, "very keen to do a private deal".

Ball Cablemedia owned the East London cable franchise area and planned to merge it with Videotron's ownership of the West London franchise.

Whila Bell was seen as the favourite to secure the Canadian company's stake, Videotron appointad Goldman Sachs, the US investment bank, to handle the sale through an auction process. Bell Cablemedia was advised by NatWest as well as Salomon Brothers and Bell Canada was advised by Credit Suisse First Boston.

Bell saw it an opportunity to "bring in a major telecoms partner," Mr Ward says. Preliminary discussions were beld with Cable and Wireless, but with Mr Richard Brown only recently apppointed as the group's chief executive, "these discussions did not move forward". Instead, contact was made with Deutsche Telekom, the German telecoms gronp being advised by Flemings.

No formal bid was entered and meanwhile International CableTel, the US cable group, began detailed talks with Le Groupe Videotron.

Goldman Sachs then informed Salomon Brothers that Videotron would be entaring exclusive negotiatione with CableTel. "Bell Cablemedia took tha view that ours was a pretty good bid, we had good partners and we were not going to bid higher," Mr Ward says.

Later in the summer a chink of light appeared for Bell Cablemedia but Deutsche Telekom then decided to pull out of a possible deal. "Ironically, it was at this low point that things bagan to move very fast indeed," says Mr Ward.

Nynex, one of the largest UK cable operators, advised by Bear Sterns, was contacted by Bell Cablemedia and Salomon Brothers. Separately Cable and Wireless, advised by Barings, was reapproached, and with Mr Brown's strategic review complete, a three-way meeting was bald in London.

While negotiations continued, Le Groupe Videotron was informed that Bell Cablemedia and Cable and Wireless were keen to make a bid to buy its 56 per cent stake. LGV was not made aware that it was potentially part of a wider deal. Separate negotiations were held in London and the night before the birth of CWC was announced Le Groupe Videotron was informed that its agreement to sell the Videotron stake to Bell and Cable and Wireless rathar than International CableTel was in fact one elament of a larger whole.

"We congratulated them on having instigated a major consolidation in tbe UK cable Industry," Mr Ward says.

As part of the complex three-way deal, Bell Cablemedia bought the 56 per cent stake in Videotron.

Nynex Corp contribnted its majority stake in Nynex CableComms, the UK's second biggest cable company, in return for an 18.5 per cent stake in the new enlarged company, CWC.

Bell Canada contributed its share in Bell Cablemedia – enlarged by the acquisition of Videotron with Cable and Wireless – plus its 15 per cent stake in Mercury for a 14.2 per cent share in CWC.

In April on its London stock market debut CWC, now Britain's largest combined telecommunications and entertainment provider, was valued at £4.46bn. Since then the shares have fallen, valuing tbe company at aronnd £4.3bn.

**William Lewis**